

A large, faint, circular seal of the Federal Deposit Insurance Corporation is centered in the background. The seal features a shield with a key, scales of justice, and stars, surrounded by the words "FEDERAL DEPOSIT INSURANCE CORPORATION" and the year "1933".

# 2023 ANNUAL PERFORMANCE PLAN

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## CHAIRMAN'S MESSAGE

In accordance with the Government Performance and Results Act, as amended, I am pleased to present the Federal Deposit Insurance Corporation's 2023 Annual Performance Plan that outlines the FDIC's annual performance goals and targets for this year.

The FDIC's core mission is to maintain stability and public confidence in the U.S. financial system. It has fulfilled that mission through its deposit insurance, bank supervision, and failed bank resolution responsibilities for almost 90 years. The importance of that mission was reaffirmed in early 2023, when the FDIC took prompt action to manage the orderly resolution of three large regional banks. As of December 31, 2022, the FDIC insured more than 882 million accounts with more than \$10 trillion in depositor funds at 4,715 institutions across the nation.

The banking system has been quite resilient in the face of financial market stress, recent large bank failures, and the COVID-19 pandemic. Early reports from the first quarter of 2023 indicate that aggregate bank net income was roughly unchanged compared to the fourth quarter, excluding the effects on acquirers' incomes of their acquisitions of failing banks. The banking industry as a whole remains well-capitalized, and asset quality metrics remain favorable. However, inflationary pressures, rising interest rates, slowing economic growth, and geopolitical events contribute to an uncertain economic outlook that could pose significant downside risks to the banking industry. Risks to the outlook include the potential for weakening credit quality and profitability that could result in further tightening of loan underwriting, slower loan growth, and higher provision expenses. These will be matters of close supervisory attention by the FDIC.

The FDIC will soon celebrate its 90th anniversary with a continuing focus on the fulfillment of its core mission responsibilities. This plan identifies key areas of emphasis for 2023, including enhancing the FDIC's prudential oversight of banks, particularly with respect to the management of capital, liquidity, and interest rate risks; assessing and taking appropriate actions in response to the lessons learned from recent bank failures; strengthening capital requirements for large U.S. banking organizations through implementation of the Basel III framework; strengthening liquidity and resolution-related requirements for large banks; and analyzing the potential impact that newly emerging financial risks, such as crypto-related

activities and climate change, could have on the safety and soundness of insured depository institutions (IDIs). We will also pay increased attention to cybersecurity and other technology-related risks to IDIs.

The FDIC will maintain its ongoing engagement with its fellow regulators in the evaluation of resolution plans submitted pursuant to the Dodd Frank Act to address the risks to both domestic and international financial stability posed by large financial institutions. In addition, the FDIC will continue to carry out its important responsibilities for consumer protection, including the pursuit of broader participation by all segments of the population in the U.S. banking system. Finally, we will work with our fellow bank regulatory agencies to finalize new rules to modernize and strengthen the Community Reinvestment Act.

The FDIC has been a symbol of trust for depositors in FDIC-insured financial institutions since 1933 and will carry that mission forward in 2023.

Martin J. Gruenberg  
Chairman



## MISSION, VISION, AND VALUES

### MISSION

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the Congress to maintain stability and public confidence in the nation's financial system by:

- Insuring deposits,
- Examining and supervising financial institutions for safety and soundness and consumer protection,
- Making large, complex financial institutions resolvable, and
- Managing receiverships.

### VISION

The FDIC is a recognized leader in promoting sound public policies; addressing risks in the nation's financial system; and carrying out its insurance, supervisory, consumer protection, resolution planning, and receivership management responsibilities.

### VALUES

The FDIC and its employees have a tradition of distinguished public service. Six core values guide us in accomplishing our mission:

<b>Integrity</b>	We adhere to the highest ethical and professional standards.
<b>Competence</b>	We are a highly skilled, dedicated, and diverse workforce that is empowered to achieve outstanding results.
<b>Teamwork</b>	We communicate and collaborate effectively with one another and with other regulatory agencies.
<b>Effectiveness</b>	We respond quickly and successfully to risks in insured depository institutions and the financial system.
<b>Accountability</b>	We are accountable to each other and to our stakeholders to operate in a financially responsible and operationally effective manner.
<b>Fairness</b>	We respect individual viewpoints and treat one another and our stakeholders with impartiality, dignity, and trust.

## **PROGRAM DESCRIPTIONS AND ANNUAL PERFORMANCE GOALS**

### **INSURANCE**

### **SUPERVISION**

### **RECEIVERSHIP MANAGEMENT**

## Insurance Program

One way the FDIC maintains stability and public confidence in the nation's financial system is by providing deposit insurance. Through its industry- and consumer-awareness programs, the FDIC seeks to increase public awareness and understanding of deposit insurance rules and coverage. The FDIC takes steps to ensure that no person makes false or misleading representations about deposit insurance, uses the FDIC's name or logo in a manner that would imply that an uninsured financial product is insured or guaranteed by the FDIC, or knowingly misrepresents the extent or manner of deposit insurance. In addition, the FDIC (and other federal regulatory agencies) ensure that insured depository institutions (IDIs) accurately disclose products that are not insurable by the FDIC. The FDIC also routinely provides depositors and financial institution staff with information regarding the insurance rules and limits that apply to specific deposit accounts. As of December 31, 2022, the FDIC insured more than 882 million accounts with more than \$10.07 trillion in depositor funds at 4,715 institutions across the nation.

Before a prospective IDI can open for business, it must apply to the FDIC for federal deposit insurance. The FDIC evaluates an applicant's potential risk to the Deposit Insurance Fund (DIF) by assessing the adequacy of its proposed capital, future earnings potential, and the general character of its management. Before granting access to the federal deposit insurance system, the FDIC also considers the applicant's plans for serving the deposit and lending needs of the community that the applicant plans to serve and obtains input from other regulatory authorities.

Communication and coordination with the other bank regulatory agencies are top priorities for the FDIC. As the deposit insurer, the FDIC, by statute, has special back-up examination authority for all IDIs. If significant emerging risks or other serious concerns are identified for an IDI for which the FDIC is not the primary federal supervisor, the FDIC and the institution's primary supervisor work together to address those risks or concerns.<sup>1</sup>

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<sup>1</sup> As described more fully in 12 U.S.C. § 1813(q), an institution's charter and its Federal Reserve System membership status determine which federal banking agency is the institution's primary federal supervisor.

When an IDI fails and the FDIC is appointed as receiver, the FDIC ensures that the institution's customers have prompt access to their insured deposits and other services. If an acquiring bank does not assume all of the failed institution's deposits, the FDIC also typically provides access to a portion of uninsured deposits based on the expected return on the disposition of the assets of the failed institution. To keep pace with the evolving banking industry and maintain its readiness to protect insured depositors, the FDIC prepares and maintains contingency plans to respond promptly to a variety of IDI failure scenarios.

The DIF balance has increased nearly every quarter for the last 13 years, and reached \$128.2 billion as of December 31, 2022. Notwithstanding this historic balance in the DIF, extraordinary growth in insured deposits during 2020 caused the reserve ratio to decline below the statutory minimum of 1.35 percent. Since then, the DIF balance has continued to grow, with the exception of the first quarter of 2022, and has not experienced material losses over this period. Cumulatively, the DIF balance has risen by more than \$149 billion from its negative \$21 billion low point at the end of 2009. No banks failed in 2022, marking the eighth year in a row with few or no failures. The number of problem banks was 39 as of December 31, 2022, well below the peak of 888 in March 2011.

However, three large regional banks failed in early 2023 (prior to that, the last bank failure occurred in October 2020). Although the total impact is still under review, those failures will materially reduce the DIF balance. Because a systemic risk exception was exercised, covering the losses of uninsured depositors for two of the failures, the loss associated with covering uninsured depositors at those failures will be repaid via a special assessment, as required by law, materially lessening the impact on the DIF balance. These recent failures have highlighted the need to consider enhanced prudential regulation and to give greater attention to the resources and methods available for the resolution of institutions with more than \$100 billion in assets.

Because of the decline in the reserve ratio during the first half of 2020, the FDIC adopted a DIF Restoration Plan on September 15, 2020, to restore the reserve ratio to at least 1.35 percent within eight years, as required by statute<sup>2</sup>.

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<sup>2</sup> 12 U.S.C. 1817(b)(3)(B) and (E)

The Restoration Plan maintained the deposit insurance assessment rate schedules in place at the time and required the FDIC to update its analysis and projections at least semiannually.

In 2022, insured deposit growth decelerated compared to the extraordinary growth experienced in the first half of 2020, but aggregate balances remained significantly elevated. In the June 2022 semiannual update for the Restoration Plan, projections indicated that the reserve ratio was at risk of not reaching the statutory minimum of 1.35 percent by the statutory deadline of September 30, 2028, absent an increase in assessment rates. Based on this update, the FDIC Board of Directors adopted an Amended Restoration Plan on June 21, 2022, to reflect a proposed uniform increase in initial base deposit insurance assessment rate schedules of two basis points, applicable to all IDIs. The FDIC finalized a rule in October 2022 to implement that increase, beginning in the first quarterly assessment period of 2023. In accordance with the provisions of the Amended Restoration Plan, the FDIC will continue to review at least semiannually deposit balance trends, potential losses, and other factors that affect the reserve ratio, including the impact of the recent failures.

The table below depicts the strategic goal, strategic objectives, and annual performance goals for the Insurance Program.

Strategic Goal	Strategic Objectives	Annual Performance Goals
FDIC-insured deposits are protected from loss without recourse to taxpayer funding.	The FDIC provides customers of failed insured depository institutions (IDIs) timely access to insured funds and financial services.	Respond promptly to all IDI failures and related emerging issues. (1.1-1)
	The FDIC promptly identifies and responds to potential risks to the DIF.	Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public, and other stakeholders on an ongoing basis. (1.2-1)
	The FDIC maintains a strong and adequately financed DIF.	Monitor the status of the DIF reserve ratio and analyze the factors that affect fund growth. Adjust assessment rates, as necessary, to achieve a DIF reserve ratio of at least 1.35 percent by September 30, 2028. (1.3-1)
		Expand and strengthen the FDIC's participation and leadership role in supporting robust and effective deposit insurance programs, resolution strategies, and banking systems worldwide. (1.3-2)
		Ensure timely consideration and efficient processing of de novo deposit insurance applications. (1.3-3)

	The FDIC resolves failed IDIs in the manner least costly to the DIF.	Market failing IDIs to a targeted pool of qualified and interested potential bidders. (1.4-1)
	The FDIC provides the public and IDIs access to clear and accurate information about federal deposit insurance coverage.	Provide educational information to IDIs and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts. (1.5-1)

## STRATEGIC GOAL 1:

*FDIC-insured deposits are protected from loss without recourse to taxpayer funding.*

### STRATEGIC OBJECTIVE 1.1

The FDIC provides customers of failed insured depository institutions (IDIs) timely access to insured funds and financial services.

#### Annual Performance Goal 1.1-1

Respond promptly to all IDI failures and related emerging issues.

#### Indicators and Targets

1. Number of business days after an IDI failure that depositors first have access to insured funds
  - Depositors have access to insured funds within one business day if the failure occurs on a Friday.
  - Depositors have access to insured funds within two business days if the failure occurs on any other day of the week.
2. Insured depositor losses resulting from an IDI failure
  - Depositors do not incur any losses on insured deposits.
  - No appropriated funds are required to pay insured depositors.

#### Means and Strategies

*Operational Processes (initiatives and strategies):* In typical cases, when an IDI is identified as one that could potentially fail, the FDIC develops an operational plan to handle its resolution. The resolution process begins with an assessment of the IDI's assets and liabilities. An information package is prepared as a marketing tool for qualified bidders that are interested in acquiring the failing IDI. After conducting due diligence, bidders submit bids that are evaluated and compared to the cost of liquidation to determine the least-costly resolution.



If the federal or state chartering authority chooses to close the institution, the FDIC is named receiver, allowing it to take control of the failed IDI and, if necessary, determine which deposits are insured.

If a buyer is found, the FDIC works with the assuming institution to transfer purchased assets along with either all deposits or only insured deposits, as quickly as possible. If a buyer is not found during the resolution process, insured balances are disbursed directly to the depositors of the failed IDI and all assets remain in the receivership. In either case, the insured depositors are provided access to their deposit accounts within one or two business days.

As banking industry practices and technologies evolve, so do potential risks that might affect the resolution process. The FDIC continues to review and enhance its existing plans, processes, and systems in response to those changes and potential risks.

*Human Resources (staffing and training):* For 2023, the FDIC's Division of Resolutions and Receiverships has authorized staffing of 355 permanent employees dedicated to handling the failure of IDIs and the management of ensuing receiverships. The number of open receiverships continues to decline, but the volume of assets under management increased substantially as a result of the bank failures in March 2023. The FDIC currently, expects to be able to manage its bank closing and receivership management workload with its permanent staff, but will add additional resources on a temporary basis, as needed.

*Information Technology:* Technology is critical to making deposit insurance determinations and payments efficiently. The FDIC uses the Claims Administration System (CAS) to identify depositors' insured and uninsured funds in failing IDIs. For every failing IDI, CAS is used prior to failure to estimate the amount of uninsured deposits for use in the least-cost test. When an insured deposit transaction or a payout is the least-costly resolution, CAS is also used to determine the amount of insured deposits. For all failures, CAS is the system of record for the deposits of the failed IDI and subsequent claims processing and tracking.

## Verification and Validation

If insured deposits are transferred to an assuming IDI, the number of business days before depositors have access to their insured funds is verified by comparing the date of failure to the date that the assuming IDI opens for business and makes insured funds available to the failed IDI's depositors. For a deposit payout, the measure of the number of business days to funds availability is verified by comparing the date of failure with the date that insured funds are disbursed to depositors.

## 2022 Performance Results

For 2022, the performance target for this annual performance goal did not apply because there were no IDI failures during the year. This annual performance goal and its associated performance indicators and targets are unchanged for 2023.

## STRATEGIC OBJECTIVE 1.2

The FDIC promptly identifies and responds to potential risks to the DIF.

### Annual Performance Goal 1.2-1

Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public, and other stakeholders on an ongoing basis.

### Indicator and Targets

1. Scope and timeliness of information dissemination on identified or potential issues and risks
  - Disseminate results of research and analyses in a timely manner through regular publications, ad hoc reports, and other means.
  - Undertake industry outreach activities, as needed, to inform bankers and other stakeholders about current trends, concerns, available resources, and FDIC performance metrics.

## Means and Strategies

*Operational Processes (initiatives and strategies):* The FDIC maintains a robust and comprehensive research and publications program that focuses on issues and topics of importance to the banking industry. Much of this research is conducted in collaboration with the academic community through the FDIC's Center for Financial Research (CFR). Research findings are disseminated through meetings of the Advisory Committee on Community Banking (CBAC) and the Advisory Committee on Economic Inclusion (ComE-IN), CFR Working Papers, FDIC Staff Studies, articles in professional journals and other publications, and presentations at conferences and other events. The FDIC also disseminates information and analyses on industry risks through periodic reports and publications (e.g., the *FDIC Quarterly Banking Profile* and the *FDIC Quarterly*), Financial Institution Letters, participation in industry events, and other outreach activities. In addition, the FDIC routinely publishes performance metrics, such as turnaround times for examinations and bank applications, call center usage and response times, and data on the status of supervisory and assessment appeals. This data is also available on the FDIC's public website.

The FDIC published 14 CFR Working Papers in 2022 and three Staff Studies. In addition, FDIC researchers published articles in the following academic journals in 2022: *The Review of Corporate Finance Studies*, *Regional Science and Urban Economics*, and *The Journal of Financial Services Research*. In 2022, the FDIC published three *FDIC Quarterly* articles. Topics included:

- Trends in consumer lending through the pandemic and the recovery,
- Highlights of the 2021 Summary of Deposits survey, and
- Performance of community banks in manufacturing-concentrated areas.

As part of its research program, the FDIC published a Staff Studies report on the effects of climate events on local economic and banking conditions, including a review of six of the most severe weather events in U.S. history. This research included an assessment of the effects of climate events on low- and moderate-income (LMI) areas and non-LMI areas.

In March 2022, the FDIC Board approved a proposed Statement of Principles for Climate-Related

Financial Risk Management for Large Financial Institutions that set forth a high-level framework for the safe and sound management of exposures to climate-related financial risks consistent with the FDIC's existing risk management framework. The proposed Statement of Principles was published in the *Federal Register* for public comment in April 2022. In coordination with the other Federal banking agencies, the FDIC expects to finalize the Statement of Principles in 2023.

The FDIC conducts outreach sessions several times each year across the country. In addition, FDIC employees regularly attend conferences and meet with industry analysts and trade groups to exchange views and analyses. FDIC employees also present Directors' College outreach sessions to bank board members. During these sessions, FDIC employees share information with bank directors on current risks, new regulations, and emerging issues. Local FDIC offices nationwide also conduct banker roundtable events that provide fora for bankers to receive information and raise questions about laws, regulations, or emerging risks.

The FDIC seeks to enhance its foundation of public trust and accountability by ensuring open and direct communication in major FDIC business areas. The FDIC will continue to identify opportunities to provide information and increase data access to strengthen trust among consumers, financial institutions, and the FDIC.

*Human Resources (staffing and training):* The FDIC employs economists, financial analysts, and other staff members who monitor risks within the banking industry and communicate those risks to FDIC management, other regulators, the industry, the public, and other stakeholders through a variety of media and fora. In addition, FDIC managers, examiners, and other staff located throughout the country conduct banker outreach sessions as a collateral duty.

*Information Technology:* The FDIC's public website (<https://www.fdic.gov>) is a centralized source for FDIC research and analysis on potential areas of risk that is available to the industry, the public, and other regulators. Databases and reports provide comprehensive financial and structural information about every FDIC-insured institution. These data assets are freely available, including through open-source formatted downloads and modern data retrieval methods such as application programming interfaces, to provide easy access to financial institution information for all users of the data, including

financial institutions, bank regulators, and the public.

### **Verification and Validation**

Timely analyses of banking industry risks are included in regular publications or issued as ad hoc reports. Industry outreach activities aimed at the banking community and industry trade groups promote discussion of current trends and concerns and inform bankers about available FDIC resources. Publications and outreach events are documented through established management reporting processes.

### **2022 Performance Results**

The FDIC successfully met the performance targets for this annual performance goal in 2022. This annual performance goal and its associated performance indicator and targets are unchanged for 2023.

## **STRATEGIC OBJECTIVE 1.3**

The FDIC maintains a strong and adequately financed DIF.

### **Annual Performance Goal 1.3-1**

Monitor the status of the DIF reserve ratio and analyze the factors that affect fund growth. Adjust assessment rates, as necessary, to achieve a DIF reserve ratio of at least 1.35 percent by September 30, 2028.

### **Indicators and Targets**

1. Updated fund balance projections and recommended changes to assessment rates
  - Provide updated fund balance projections to the FDIC Board of Directors semiannually.
  - Recommend changes to deposit insurance assessment rates to the FDIC Board of Directors, as necessary.
  - Issue for comment by May 2023 a Notice of Proposed Rulemaking to implement a

special assessment on insured institutions to recover the costs incurred by the DIF due to the systemic risk exceptions to protect uninsured deposits in banks that failed in early 2023.

2. Progress updates and adjustments to the Restoration Plan

- Provide progress reports to the FDIC Board of Directors semiannually, in accordance with the Restoration Plan.

3. Review of the Deposit Insurance System

- Complete a comprehensive review of the deposit insurance system and release by May 1, 2023, a report that identifies policy options for consideration related to deposit insurance coverage levels, excess deposit insurance, and the implications for risk based pricing and deposit insurance fund adequacy.

## Means and Strategies

*Operational Processes (initiatives and strategies):* The FDIC's Financial Risk Committee (FRC) recommends to the Chief Financial Officer a DIF contingent loss reserve for anticipated failures of open banks. The FRC regularly reviews adverse events to identify lessons or implications for monitoring and addressing risks in these banks and consults with the other federal banking agencies in its deliberations. The FDIC also maintains and, as necessary, enhances models that forecast failures, failure resolution costs, assessment revenue, investment revenue, operating expenses, and insured deposit growth in order to update the outlook for the insurance fund balance and reserve ratio. The FDIC also considers the effects of monetary policy, economic growth, and the personal savings rate on the banking industry and insured deposits. The FDIC continues to enhance the techniques and methodologies used to analyze the nature of risk exposure, including scenario analysis and stress testing.

*Human Resources (staffing and training):* FDIC staff perform the analytical work associated with deposit insurance pricing and the analysis of fund adequacy.

*Information Technology:* The Risk-Related Premium System (RRPS) calculates the premiums that

financial institutions are assessed for deposit insurance. RRPS is updated and tested when the insurance assessment pricing structure changes.

### **Verification and Validation**

A security review of RRPS is conducted annually to ensure that the system identifies higher-risk institutions and appropriately assesses higher insurance premiums. In addition, the Government Accountability Office reviews annually the methodology used to determine the contingent loss reserve.

In 2023, the FRC will again conduct semiannual reviews of the contingent loss reserve methodology by analyzing the difference between projected and actual losses. In addition, FDIC staff will provide updates at least semiannually to the FDIC Board of Directors on progress made in meeting the goals of the Restoration Plan.

### **2022 Performance Results**

The FDIC successfully met the performance targets for this annual performance goal in 2022. This annual performance goal and its associated performance indicators and targets are substantively unchanged for 2023.

### **Annual Performance Goal 1.3-2**

Expand and strengthen the FDIC's participation and leadership role in supporting robust and effective deposit insurance programs, resolution strategies, and banking systems worldwide.

### **Indicators and Targets**

1. Activities to expand and strengthen engagement with strategically important foreign jurisdictions and key international organizations and associations, and to advance the FDIC's global leadership and participation in deposit insurance, institution supervision, resolution practices, and international financial safety net issues
  - Foster strong relationships with international banking regulators, deposit insurers,

and other relevant authorities by engaging with strategically important jurisdictions and organizations on international financial safety net issues.

- Provide leadership and expertise to key international organizations and associations that promote sound deposit insurance and effective bank supervision and resolution practices.
2. Provision of technical assistance and training to foreign counterparts
- Promote international standards and expertise in financial regulatory practices and stability through the provision of technical assistance and training to global financial system authorities.

### Means and Strategies

*Operational Processes (initiatives and strategies):* As a recognized global leader in providing sound deposit insurance, depository institution supervision, and bank resolution practices, the FDIC provides technical guidance, training, and information to international banking, deposit insurance, and resolution organizations. This is achieved, in part, through the FDIC's relationships with international financial institutions and regulatory agencies, and its leadership roles and participation in the International Association of Deposit Insurers (IADI), the Financial Stability Board (FSB), and the Association of Supervisors of Banks of the Americas (ASBA).

The FDIC provides leadership on the executive boards and several committees of IADI and ASBA. In 2023, the Deputy to the Chairman for Financial Stability will serve as the FDIC representative on IADI's Executive Council and as the chair of the Training and Technical Assistance Council Committee. The FDIC also chairs IADI's Financial Technology (FinTech) Technical Committee, supporting research into FinTech initiatives, and IADI's Capacity Building Technical Committee, leading the association's efforts to promote best practices in deposit insurance through the application of IADI Core Principles for Effective Deposit Insurance Systems.

In 2023, the FDIC will continue to support the governance, training, and other activities of IADI and ASBA, including by assuming a role on the ASBA Board of Directors, as the representative for the North American region.



The FDIC also will support visits and technical assistance for foreign counterparts in order to strengthen financial institution supervision and regulation and promote the adoption of sound deposit insurance and resolution frameworks through bilateral and multilateral engagement with foreign counterparts and through participation in IADI. The FDIC will continue to promote the adoption of sound supervisory principles and practices in the Americas by providing subject matter experts as instructors for ASBA-sponsored training and ASBA-led research and guidance initiatives.

The FDIC also will participate with the International Monetary Fund and the World Bank in providing technical assistance to foreign authorities by making available subject matter experts for deposit insurance program reviews and resolution-related matters.

*Human Resources (staffing and training):* Available resources include FDIC staff dedicated to promoting the adoption of sound bank supervision, resolution, and deposit insurance principles and coordinating the FDIC's global outreach and technical assistance programs supplemented by subject matter experts across the FDIC. In 2023, training will expand the FDIC's staff expertise in evaluating the compliance of deposit insurance systems with IADI's Core Principles. Staff from divisions and offices across the FDIC regularly coordinate and collaborate on major international activities and outreach in order to advance the FDIC's international agenda. This coordination occurs on a regular basis through structured fora such as the International Coordination Working Group and International Affairs Committee.

*Information Technology:* Information about the FDIC's international programs, such as technical assistance, foreign visitors, and international leadership development programs, as well as associations with international bodies, including IADI and ASBA, is communicated through the FDIC's public website (<https://www.fdic.gov>). The FDIC uses information technology to enhance its participation in international bodies and its provision of technical assistance. Along with in-person events and initiatives, the FDIC has used videoconferencing extensively to continue its international mission.

## Verification and Validation

Progress in meeting this annual goal is reported through established management reporting processes. Quarterly reports document trends in the number of foreign visitors, foreign officials trained, technical assistance missions, and FDIC participation and leadership in key international organizations.

### 2022 Performance Results

The FDIC successfully met the performance targets for this goal in 2022. This annual performance goal and its associated performance indicators and targets are substantively unchanged for 2023.

### Annual Performance Goal 1.3-3

Ensure timely consideration and efficient processing of *de novo* deposit insurance applications.

#### Indicator and Target

1. Timeliness of review of draft community bank deposit insurance applications
  - Provide feedback on 75 percent of draft community bank deposit insurance applications no later than 60 days after receipt to facilitate the ultimate submission of a formal application.

*Operational Processes (initiatives and strategies):* As the sole federal agency with authority to grant deposit insurance, the FDIC seeks to ensure its application processes and review requirements are clear and efficient, and that deposit insurance applications are given timely consideration. Proposed new depository institutions apply for federal deposit insurance by filing an Interagency Charter and Federal Deposit Insurance Application with the appropriate FDIC regional office. In considering an application for deposit insurance, the FDIC evaluates the statutory factors enumerated in Section 6 of the Federal Deposit Insurance (FDI) Act:

- The institution's financial history and condition,
- The adequacy of its capital structure,
- Its future earnings prospects,
- The general character and fitness of its management,

- The risk presented by the institution to the DIF,
- The convenience and needs of the community to be served by the institution, and
- Whether the institution’s corporate powers are consistent with the purposes of the FDI Act.

Applicants have the option of submitting a draft application in advance of a formal filing. The draft review process is designed to be collaborative. The FDIC engages in a dialogue with the organizers about their views on the draft filing, such that the feedback may occur in stages. The FDIC attempts to provide interim feedback to the organizers as soon as practicable, but no later than 30 days after receiving a draft proposal, and to communicate overall feedback within 60 days of receipt. The timeframe may vary depending on the attributes of a given proposal and may extend beyond the 60-day goal if modifications to the draft proposal are submitted (the 60-day target timeframe re-starts upon receipt of a modified proposal).

*Human Resources (staffing and training):* Available resources include case managers, who evaluate applications; application subject matter experts in each regional office and in Washington, who are available to provide any needed support; and RMS managers.

*Information Technology:* Information about the FDIC’s deposit insurance application processes is available on the FDIC’s public website at

<https://www.fdic.gov/transparency/bankapplications.html>.

### **Verification and Validation**

Performance against this goal will be based on draft applications where overall feedback was communicated in 2023 that were carried over from 2022 or were received in 2023. Progress in meeting the goal will be reported through established management reporting processes.

### **2022 Performance Results**

The performance indicator and target for this annual performance goal has been modified for 2023 to focus on the review of draft community bank deposit insurance applications.

The FDIC did not achieve the predecessor performance target for this goal in 2022. The FDIC's experience over the past several years has demonstrated that the review of applications has become more complex due to changes in the industry and is often delayed because applications are incomplete. The revised performance target is intended to promote continuing dialogue and greater collaboration between the FDIC and applicants that will ultimately facilitate more timely overall consideration of these applications.

## STRATEGIC OBJECTIVE 1.4

The FDIC resolves failed IDIs in the manner least costly to the DIF.

### Annual Performance Goal 1.4-1

Market failing IDIs to a targeted pool of qualified and interested potential bidders.

#### Indicator and Target

1. Scope of qualified and interested bidders solicited
  - Contact a targeted pool of qualified and interested bidders.

#### Means and Strategies

*Operational Processes (initiatives and strategies):* The FDIC markets the deposits and assets of failing IDIs to a targeted pool of qualified and interested potential bidders to encourage as much competition as possible. An inventory is maintained of qualified financial institutions that may be interested in bidding for a failing institution. When preparing a list of potential bidders for a failing IDI, consideration is given to the institution's geographic location, competitive environment, minority-owned status, financial condition, asset size, capital level, and regulatory ratings. Insured deposit acquisitions must be made by another insured depository institution, while assets and other liabilities may be offered to other bidders. Potential bidders are given the opportunity to perform due diligence to assess the failing IDI's assets and liabilities before determining whether to submit bids.

*Human Resources (staffing and training):* The marketing of failing IDIs is carried out primarily by existing FDIC personnel. Staffing requirements are continually assessed within the context of current and projected workload to ensure that the FDIC is appropriately staffed.

The FDIC may utilize contractor support, non-permanent employees, and employees temporarily assigned from other divisions to meet heightened workload demands and mission responsibilities in this area.

*Information Technology:* The Resolution Information Tracking Application (RITA) provides a comprehensive source of information for the marketing and sale of failing IDIs, including managing bid list criteria for each prospective resolution transaction and the list of qualified potential bidders. In addition to other data, RITA contains information on the valuation, marketing strategies, and sale of assets to an acquirer at the time of resolution.

### **Verification and Validation**

Progress in meeting this annual performance goal is tracked in RITA and reported through established management reporting processes. Each primary federal regulatory agency reviews bid lists before bids are solicited to ensure that only those institutions that meet the established criteria for the transaction are included.

### **2022 Performance Results**

The performance target for this annual performance goal did not apply because there were no IDI failures during 2022. The performance indicator for this annual performance goal is unchanged for 2023.

## **STRATEGIC OBJECTIVE 1.5**

The FDIC provides the public and IDIs access to clear and accurate information about federal deposit insurance coverage.

### **Annual Performance Goal 1.5-1**

Provide educational information to IDIs and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts.

## Indicators and Targets

1. Timeliness of responses to deposit insurance coverage inquiries
  - Respond within two weeks to 95 percent of written inquiries from consumers and bankers about FDIC deposit insurance coverage.
2. Initiatives to increase public awareness of deposit insurance coverage changes
  - Conduct at least four virtual or in-person seminars for bankers on deposit insurance coverage.

## Means and Strategies

*Operational Processes (initiatives and strategies):* The FDIC uses various methods to educate IDI employees and depositors about deposit insurance coverage. In addition to conducting seminars for bank employees, the FDIC encourages the dissemination of educational information through the banking industry and the media.

The FDIC also:

- Operates a Contact Center<sup>3</sup> to answer questions about FDIC deposit insurance coverage. The FDIC Contact Center is staffed by contractors who are trained to provide answers to many different questions about deposit insurance coverage. Complex or unique issues, or those requiring additional analysis and review, are referred by the call center to FDIC employees who specialize in deposit insurance issues and can research the issues and respond appropriately.
- Maintains educational and informational resources on its public website at <https://www.fdic.gov/resources/deposit-insurance>.
- Publishes articles on deposit insurance coverage in the *FDIC Consumer News* (a monthly newsletter for consumers published by the FDIC).
- Works to raise awareness of deposit insurance coverage through the national and regional news media, including social media.

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<sup>3</sup> FDIC's toll-free phone number is 877-ASK-FDIC, and the Information and Support Center is available at <https://www.fdic.gov/contact/>.

In addition, the FDIC administers a public education program that includes developing and distributing a wide range of written materials, videos, electronic calculators, and other tools to help consumers and bank employees understand how deposit insurance works. The FDIC also provides training to employees of IDIs.

Recently, the FDIC has observed an increase in misleading representations about deposit insurance. In May 2022, the FDIC finalized a rule on False Advertising, Misrepresentation of Insured Status, and Misuse of the FDIC's Name or Logo. The rule describes the process by which the FDIC will identify and investigate conduct that may violate the prohibitions against misuse and misrepresentation and provided a portal for the public to submit suspected instances of misrepresentation of deposit insurance. In addition, in December 2022, the FDIC issued a proposed rule to modernize the FDIC regulation on the official FDIC sign and advertising statement, as well as clarify the FDIC's rules regarding misrepresentations about deposit insurance.

To further strengthen public understanding of the role of deposit insurance in maintaining stability and public confidence in the financial system, the FDIC plans to implement a national campaign to increase public awareness of deposit insurance, provide information on deposit insurance benefits and the opportunities associated with insured bank accounts, and advise the general public about risks relating to misrepresentations and uninsured financial products.

*Human Resources (staffing and training):* The FDIC has a dedicated staff of specialists and contractors who respond to telephone and written inquiries from consumers and bankers about deposit insurance coverage. The FDIC Contact Center is also supported by a dedicated staff of subject matter experts on complex deposit insurance issues. The FDIC regularly reviews staffing and training needs to ensure that the resources supporting deposit insurance educational initiatives are adequate and that employees possess the skills and knowledge to implement this program effectively and successfully.

*Information Technology:* The FDIC tracks the receipt of and response to written inquiries through the Enterprise Public Inquiry and Complaint System (EPIC). The FDIC also provides the Electronic Deposit Insurance Estimator (EDIE), which consumers and bankers can use to estimate deposit insurance coverage, on its public website (<https://edie.fdic.gov/index.html>).

The FDIC also continues to use the latest multimedia technology to deliver educational tools and materials to the banking community and the public.

### **Verification and Validation**

Progress in meeting the performance targets for this goal will be tracked through EPIC and established management reporting processes.

### **2022 Performance Results**

The FDIC successfully met the performance targets for this annual performance goal in 2022. This annual performance goal and its associated performance indicators and targets are unchanged for 2023.



## SUPERVISION PROGRAM

Another way the FDIC promotes stability and public confidence in the nation's financial system is through its Supervision Program, which promotes the safety and soundness of IDIs, protects consumers, and promotes community development and investment initiatives by FDIC-supervised institutions.

### Risk Management

The FDIC is the primary federal regulator for state-chartered banks and savings associations that are not members of the Federal Reserve System, generally known as state nonmember banks and state-chartered savings associations. This includes state-licensed insured branches of foreign banks. As insurer, the FDIC also has special back-up examination authority for state member banks that are supervised by the Board of Governors of the Federal Reserve System (FRB) and national banks and federal savings associations that are supervised by the Office of the Comptroller of the Currency (OCC), including the largest, global systemically important banks (GSIBs). The FDIC's roles as insurer and primary regulator are complementary, and many activities undertaken by the FDIC support both the insurance and supervision programs. The FDIC monitors and evaluates the potential risks at all insured institutions, including those for which it is not the primary federal regulator, through examinations, off-site monitoring tools, participation in examinations conducted by other federal regulators, and inter-divisional risk monitoring activities.

As the primary federal regulator of all insured state nonmember banks and state-chartered savings associations, the FDIC performs periodic risk management examinations to assess institutions' overall financial condition, risk management policies and practices, and compliance with applicable laws and regulations. The FDIC also performs Anti-Money Laundering (AML) / Countering the Financing of Terrorism (CFT) and information technology (IT) reviews at each risk management examination and, when applicable, conducts reviews of trust, registered transfer agent, municipal securities dealer, and government security dealer activities.

Through the examination process, the FDIC also assesses the adequacy of an institution's management and effectiveness of its internal control systems in identifying and controlling risks and how well an institution is managing the risks associated with its particular business model. Well-managed banks engaged in traditional, non-complex activities receive periodic, point-in-time safety and soundness examinations that are carried out over a few weeks, while those engaged in novel or more complex activities and those with complex operations are subject to continuous safety-and-soundness examinations carried out through targeted reviews during the course of an examination cycle.

Approximately 98 percent of all FDIC-supervised institutions are examined under the point-in-time examination process. Risk management point-in-time examinations are conducted every 12 to 18 months, generally on an alternating basis with the appropriate state banking department. Risk management continuous examinations are conducted throughout an annual examination cycle by a dedicated team of examiners working jointly with the appropriate state banking department. The examination team produces examination findings throughout the cycle after the completion of various targeted reviews of specific risk areas and a roll-up report of examination at the end of the annual examination cycle.

The number of institutions subject to continuous examinations has grown over the past few years as a result of increased complexity from both organic asset growth and merger-related activity. Given changes in industry structure and the number of large institutions supervised, the FDIC conducted a holistic review of its continuous examination program during 2021, focusing on thresholds, staffing, knowledge transfer, and supervisory planning. Based on that review, the FDIC will implement changes to the program during 2023.

The findings of examinations are shared with an institution's management and Board of Directors in the Report of Examination. If unsafe or unsound practices or conditions or breaches of fiduciary duty are identified through the examination process, the FDIC promptly takes appropriate supervisory action. Formal and informal enforcement actions may be taken to address an institution's unsafe or unsound practices or conditions, as well as an individual's actionable misconduct. These enforcement actions remain in place until the condition is remedied, and the FDIC determines that the enforcement action may be amended or terminated.

The FDIC uses off-site monitoring programs to supplement and guide the examination process. Off-site monitoring programs can provide an early indication that an institution's risk profile may be changing. The FDIC has developed a number of off-site monitoring tools using key data from institutions' quarterly Reports of Condition and Income, (i.e., Call Reports) to identify institutions that are experiencing rapid loan growth or reporting unusual levels or trends in problem loans, investment activities, funding strategies, earnings structure, or capital levels that merit further review.

Off-site monitoring for banks with total assets greater than \$10 billion includes the quarterly Large Insured Depository Institution (LIDI) Program, which remains the primary instrument for off-site monitoring of the largest institutions supervised by the FDIC. The LIDI Program provides a comprehensive process to standardize data capture and reporting for large and complex institutions nationwide, allowing for quantitative and qualitative risk analysis.

The LIDI Program focuses on institutions' potential vulnerabilities to asset, funding, and operational stresses, and supports effective large bank supervision by using individual institution information to focus resources on higher-risk areas, determine the need for supervisory action, and support insurance assessments and resolution planning. In 2022, the LIDI Program covered 120 institutions with total assets of \$4.5 trillion. During 2022, the FDIC initiated work on a review of the LIDI program to ensure that it remains appropriately risk-focused for the growing number of large institutions. In 2023, the FDIC will determine whether changes are needed to aspects of the program, such as asset thresholds and report content and frequency.

In its supervisory role, the FDIC also acts on applications from IDIs to undertake certain transactions or engage in new or expanded business activities. In reviewing these applications, the FDIC evaluates the statutory factors relevant to each application. Generally, depending on the type of application, these factors may pertain to capital adequacy, management, financial resources, convenience and the needs of the community to be served, and the risk to the DIF. Consistent with the relevant statutory factors, the FDIC's evaluations also consider an institution's compliance with consumer protection and fair lending laws and regulations, as well as performance under the Community Reinvestment Act (CRA).

### *Supervision During the Pandemic and Lessons Learned*

During the pandemic, the FDIC adapted many of its on-site supervision activities for virtual operations and created new processes and capabilities to address emerging needs. Between March 16, 2020, and September 2, 2022, nearly all examination activity occurred off-site. The FDIC resumed regular on-site examination activity on September 6, 2022, and is committed to having an on-site presence at every examination in 2023.

During 2021, the agency documented lessons learned and embedded into its policies best practices from virtual examinations. Best practices embedded into policies included many identified by the industry in response to a 2021 request for information. The FDIC expects that leveraging these best practices will allow examiners to conduct a greater amount of examination activity off-site going forward than during the pre-pandemic period. The FDIC will continue to embrace technology when appropriate to increase examination efficiency and effectiveness.

### **Consumer Compliance and Consumer Affairs**

The FDIC's consumer compliance examination program promotes compliance with federal consumer protection laws, fair lending statutes (e.g., the Equal Credit Opportunity Act and the Fair Housing Act), the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973 (as revised), the CRA, and the regulations that implement these laws. The program seeks to ensure consumers are treated fairly and the disclosures institutions provide to consumers are accurate and complete.

To promote the most effective and efficient use of resources, the consumer compliance examination program focuses on the activities and products that pose the greatest potential risk of consumer harm or otherwise require increased supervisory attention. The FDIC conducts separate examinations for all FDIC-supervised institutions to assess the effectiveness of their compliance management systems and CRA performance. The FDIC also examines institutions subject to the primary jurisdiction of the Consumer Financial Protection Bureau (CFPB) for compliance with the statutes and regulations not under the purview of the CFPB, including the CRA. More information on the FDIC's relationship with the CFPB is provided in Appendix D.

The FDIC also investigates consumer complaints about FDIC-supervised IDIs. Consumers write or electronically submit to the FDIC complaints and inquiries regarding consumer protection and fair lending issues. Through its investigation of and response to consumer complaints and inquiries, the FDIC attempts to help consumers better understand their rights under federal consumer protection and fair lending laws. The FDIC uses surveys to monitor consumers' satisfaction with its responses to complaints and inquiries.

### Cybersecurity

Cybersecurity remains an ongoing concern for the financial services sector because of the reliance on IT not only in bank operations, but also as an interface with customers. The frequency and sophistication of cyberattacks continues to increase, and the financial services sector is a prime target. In response, financial institutions and their service providers are continually challenged to assess the quickly changing risks and to allocate adequate resources to mitigate those risks to an acceptable level.

The FDIC monitors cybersecurity issues on a regular basis, through on-site examinations of insured institutions, participation in the Financial and Banking Information Infrastructure Committee (FBII), threat monitoring (through its membership in the Financial Services Information Sharing and Analysis Center), and examination of services delivered to IDIs by certain service providers.

The FDIC, along with the other members of the Federal Financial Institutions Examination Council (FFIEC),<sup>4</sup> maintain the *FFIEC IT Examination Handbook*, which provides examination guidelines and procedures to equip examiners to evaluate risk management practices related to information technology and operations. The FDIC, in concert with other agencies, also assesses cybersecurity risk management practices horizontally at large, complex financial institutions and service providers to help institutions mitigate the level of risk in the financial system.

### Technology and Innovation

The FDIC continues to leverage technology to improve the efficiency and effectiveness of its supervision efforts and reduce the compliance burden for institutions, especially community banks, without

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<sup>4</sup> See Appendix D for more information about the FFIEC, its members, and its functions.

sacrificing the quality of the FDIC's supervision program. For example, the FDIC continues to seek ways to improve the receipt and review of imaged loan files and to tailor examination request lists. During 2023, the FDIC will explore the potential for viewing imaged loan files at service providers rather than requiring institutions to send imaged loan files to the FDIC. This project, if successful, will make it easier for institutions with imaged loan files to fulfill pre-examination request lists.

The FDIC is additionally developing comprehensive plans to modernize its existing technology for managing the supervision program through its Business Process Modernization (RMS BPM) initiative. This program changes the emphasis of "modernizing" by transforming the current disjointed application-centric environment into one that is process-centric and significantly more user-friendly. This will be achieved by leveraging business process management software and Human-Centered Design concepts. The program will replace the functionality of more than a dozen legacy software applications through a single and modern cloud-based interface. Through this program, the FDIC will increase supervision efficiency and effectiveness for internal and external stakeholders by streamlining and automating processes; providing greater ability to leverage robust analytics for informed decision-making; and reducing the time users need to move between systems and manually enter information.

The FOCUS application (Framework for Oversight of Compliance and CRA Activities User Suite) continues its development on a cloud-based, business process management platform. All SOURCE (System of Uniform Reporting and Compliance and CRA Exams) users were transitioned to FOCUS for examination and supervisory activities in 2022. In 2023, new FOCUS capabilities will be delivered, including pre-examination planning processes, and development will begin on resource planning and examination workpapers. The SOURCE database is projected to be decommissioned in the third quarter 2023.

### **Large, Complex Financial Institutions (LCFIs)**

As both an extension of its supervision responsibilities and pursuant to its statutory role as resolution authority, the FDIC is responsible for monitoring and assessing risks posed by, and planning for the resolution of, LCFIs under authority derived from the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the FDI Act. The FDIC considers LCFIs to be those IDIs with over \$100 billion in total assets as well as any systemically important financial institution.

In carrying out these responsibilities, the FDIC performs the following tasks:

- Identifies and evaluates risks to U.S. financial stability related to the potential failure of an LCFI, and assesses the efforts of LCFIs to mitigate those risks, including acting as primary Federal supervisor for those state-chartered LCFIs that are not members of the Federal Reserve System.
- Assesses resolution plans submitted by certain LCFIs to reorganize or liquidate under the U.S. Bankruptcy Code in the event of material financial distress or failure.
- Prepares to conduct an orderly liquidation of such institutions, if necessary, under the applicable resolution regime.

Ongoing risk analysis and monitoring is conducted by resident FDIC teams at certain LCFIs and off-site analytical teams composed of quantitative experts and complex financial institution specialists with resolution and supervision backgrounds. The resident on-site teams perform firm-specific independent analyses focused on key and emerging risks that increase, or may potentially increase, the vulnerability of the firm. The FDIC's off-site teams develop holistic views of key and emerging risks throughout the LCFI portfolio and the financial industry by analyzing industry and market conditions and trends and participating in supervisory examinations to support individual institution monitoring and the consideration of broader policy issues. During the pandemic, the FDIC conducted off-site all analysis and monitoring activities that were traditionally performed on-site. In September 2022, the FDIC began to participate on-site in some analysis and monitoring activities in concert with the primary federal regulators.

The FDIC has implemented and continues to expand its off-site monitoring capabilities for LCFIs. It maintains an individual risk profile and risk assessment for each LCFI (including large foreign banking organizations) that is based on an evaluation of key metrics that serve as important indicators of overall firm-specific risk. This risk assessment supports the identification of emerging and outsized risks within individual firms and the prioritization of supervisory and monitoring activities.

The FDIC also engages in resolution planning for IDIs. For large, complex IDIs, resolution planning is conducted pursuant to Section 360.10 of the FDIC Rules and Regulations (the "IDI rule").



The IDI rule requires covered IDIs to submit resolution plans that would allow the FDIC, as receiver, to resolve the institution under the FDI Act in an orderly manner that enables prompt access to insured deposits, maximizes the return from the sale or disposition of the failed IDI's assets, and minimizes losses realized by creditors (including the DIF) in the resolution.

In addition, the FDIC is jointly responsible with the FRB for reviewing the resolution plans filed by bank holding companies (BHCs) and FSOC-designated non-bank financial companies under Section 165(d) of the Dodd-Frank Act to ensure that each provides a plan for the reorganization or liquidation of the firm under the U.S. Bankruptcy Code in a manner that substantially mitigates the risk that the failure of the firm would have serious adverse effects on financial stability in the United States. Each resolution plan, commonly known as a "living will," submitted under Section 165(d) must present a credible strategy for the firm's rapid and orderly resolution under the Code in the event of its material financial distress or failure.

Under Title II of the Dodd-Frank Act, the FDIC may also be called upon to carry out the orderly liquidation of a financial company whose material financial distress or failure is determined to pose systemic risk to U.S. financial stability, whether the financial company is a Global Systemically Important Bank (GSIB), a Systemically Important Financial Market Utility (SIFMU), or any other type of financial company that may pose such a risk. However, the invocation of the FDIC's orderly liquidation authority may only occur in circumstances when it is determined that resolution under the U.S. Bankruptcy Code, (or other applicable resolution framework), would threaten U.S. financial stability. The FDIC pursues planning and operational readiness initiatives on an ongoing basis to bolster its ability to administer the resolution of LCFIs using the applicable authority under the FDI Act or Title II of the Dodd-Frank Act.

### **Emerging Issues**

Each of the FDIC's supervisory programs is alert to potential emerging issues and the risks they could pose to IDIs. In light of the failures of three large regional banks in early 2023, the FDIC's monitoring programs are being adapted and updated to enhance monitoring of emerging issues and to address regulatory concerns regarding areas of heightened risk, including interest rate risk, funding risk, and rapid growth.



The FDIC is also considering more frequent collection of data from certain fields on banks' Reports of Conditions and Income and exploring automated methods for collecting that data from institutions' core service providers.

There are several additional areas of priority focus in 2023:

- Identifying lessons learned from the failures of three large regional banks in early 2023.
- Reviewing the capital, liquidity, resolution plan, and potentially other rules to address the lessons learned from recent events.
- Publishing an interagency final rule to modernize and strengthen CRA regulations and ensure that banks are meeting the credit needs of the communities they serve, including low- and moderate-income communities;
- Finalizing principles for large institutions and continuing to engage with industry and other stakeholders to consider appropriate guidance to help banks prudently manage the financial risks posed by climate change.
- Revisiting the regulatory framework and process used by the bank regulatory agencies to review proposed bank mergers to consider their effectiveness in meeting statutory requirements, such as competitive factors, the convenience and needs of the community, and financial stability;
- Assessing the potential safety and soundness, consumer protection, resolution, and financial stability risks posed by fintech activities and by digital asset or crypto-related activities at IDIs, and providing appropriate supervisory feedback;
- Implementing the Basel III final rules to strengthen the regulatory capital framework for large banking organizations in coordination with other federal regulators;
- Modernizing the FDIC signage, advertising, and misrepresentation rules to keep pace with changes in the financial services marketplace and to clarify for consumers when they are engaged in transactions with an FDIC-insured institution and with an FDIC-insured product; and
- Engaging in an interagency initiative to address concerns about discrimination in home mortgage appraisals, including implementing the recommendations described in the Property Appraisal and Valuation and Equity (PAVE) Action Plan.<sup>5</sup>

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<sup>5</sup> The PAVE Action Plan was developed by the Interagency Task Force on Property Appraisal and Valuation Equity, which includes 13 federal agencies and offices, including the FDIC. The Action Plan is available at <https://pave.hud.gov/sites/pave.hud.gov/files/documents/PAVEActionPlan.pdf>.

The following table depicts the strategic goal, strategic objective, and annual performance goals for the Risk Management component of the Supervision Program.

Strategic Goal	Strategic Objective	Annual Performance Goals
FDIC-insured institutions are safe and sound.	The FDIC exercises its statutory authority, in cooperation with other primary federal regulators and state agencies, to promote safe and sound practices at FDIC-insured depository institutions, including appropriate risk management.	Conduct on-site risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions. When problems are identified, promptly implement appropriate corrective programs and follow up to determine whether identified problems are corrected and take other actions as appropriate. (2.1-1)
		Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering, and other financial crimes. (2.1-2)
		Establish regulatory capital standards that require institutions to have sufficient loss-absorbing capacity to remain resilient under stress while reducing complexity and maximizing efficiency. (2.1-3)
		Implement strategies to promote enhanced cybersecurity and business continuity within the banking industry. (2.1-4)
		Update rules, regulations, and other guidance to promote the safety and soundness of the financial system. (2.1-5)

		Increase engagement and collaboration to preserve and promote FDIC-insured minority depository institutions (MDIs) and mission-driven institutions. (2.1-6)
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The following table depicts the strategic goal, strategic objectives, and annual performance goals for the Consumer Compliance and Consumer Affairs components of the Supervision Program.

Strategic Goal	Strategic Objectives	Annual Performance Goals
FDIC-supervised institutions are compliant with federal consumer protection laws, including fair lending laws, and the Community Reinvestment Act (CRA).	The FDIC supervises institutions for compliance with applicable federal consumer protection laws, including fair lending laws; the law against unfair and deceptive practices; and the CRA.	Conduct on-site CRA and consumer compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised institutions. When violations are identified, promptly implement appropriate corrective programs/actions and follow up until identified problems are fully corrected. (3.1-1)
	The FDIC provides clear and accessible information to consumers about their rights under federal consumer protection and fair lending laws and regulations, including applicable disclosures.	Effectively investigate and respond to written consumer complaints and inquiries about FDIC-supervised financial institutions. (3.2-1)
	The FDIC encourages IDIs to offer affordable checking and savings accounts and loan products that meet the needs of consumers.	Promote economic inclusion and access to responsible financial services through supervisory, research, policy, and consumer/community affairs initiatives. (3.3-1)

The following table depicts the strategic goal, strategic objectives, and annual performance goals for the Resolution Planning component of the Supervision Program.

Strategic Goal	Strategic Objective	Annual Performance Goal
Large, complex financial institutions are resolvable in an orderly manner.	Large, complex financial institutions are resolvable under the bankruptcy code or, for covered IDIs, the FDI Act, as applicable.	Identify and address risks in LCFIs, including those designated as systemically important. (4.1-1)
	In the event of the failure of a large, complex financial institution, the FDIC carries out the resolution in an orderly manner in accordance with statutory mandates.	Continue to build the FDIC's operational readiness to administer the resolution of LCFIs, including those designated as systemically important. (4.2-1)

## STRATEGIC GOAL 2:

*FDIC-insured institutions are safe and sound.*

### STRATEGIC OBJECTIVE 2.1

The FDIC exercises its statutory authority, in cooperation with other primary federal regulators and state agencies, to promote safe and sound practices at FDIC-insured institutions, including appropriate risk management.

#### Annual Performance Goal 2.1-1

Conduct on-site risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions. When problems are identified, promptly implement appropriate corrective programs and follow up to determine whether identified problems are corrected and take other actions as appropriate.

#### Indicators and Targets

1. Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy
  - Conduct all required risk management examinations within the timeframes prescribed by statute and FDIC policy.
2. Follow-up actions on identified problems
  - For at least 90 percent of IDIs that are assigned a composite CAMELS rating of 2 and for which the examination report identifies Matters Requiring Board Attention (MRBAs), review progress reports and follow up with the institution within six months of the issuance of the examination report to determine whether all MRBAs are being addressed.

- Complete by May 1, 2023, a comprehensive review of the FDIC's supervision of Signature Bank prior to its failure. Evaluate and take appropriate actions in response to the matters identified for further study.

## Means and Strategies

*Operational Processes (initiatives and strategies):* Risk management examinations assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised institutions. The FDIC performs safety and soundness, AML/CFT, and IT reviews at each risk management examination of an FDIC-supervised IDI. As applicable, the FDIC also conducts reviews of trust, registered transfer agent, municipal securities dealer, and government security dealer activities at these examinations.

In 2023, the FDIC projects that it will conduct more than 1,200 risk management examinations required under statute, FDIC policy, or agreements with state supervisors. The number of risk management examinations to be conducted during 2023 will fluctuate as the number of FDIC-supervised IDIs changes as a result of mergers, closings, newly approved charters, charter conversions, and other actions. In addition, increases in asset size or complexity, or changes to an institution's condition or capital levels may accelerate examination cycles, increase the number of required examinations, or require a shift to a continuous exam process.

The FDIC follows a risk-focused approach to examinations, allowing examiners to focus on areas with the greatest potential risk. The FDIC has several analytical tools to aid examiners in risk-focusing examination plans. The analytical tools consider several factors, such as the institution's business model, risk profile, and complexity; rapid growth; fluctuating earnings; and concentrations in various industry sectors. These tools can identify the need for further analysis or an on-site visit outside of the regular examination cycle.

On-site examinations also review technology-related activities to determine how each FDIC-supervised institution manages its IT risks. The FDIC regularly engages with technology vendors, trade associations, and standards- and rule-setting entities to identify and promote effective risk management practices for emerging technologies.

The examination report communicates examination findings to the institution's management and Board of Directors. The report may identify financial weaknesses or risk management practices that, if left uncorrected, could result in deterioration of the institution's financial condition. In those instances, the FDIC may ask the institution to report on the corrective measures taken to address the findings. If the findings are of significant concern, the FDIC may enter into an informal or formal enforcement action to address the findings. The FDIC evaluates an institution's progress in addressing the provisions of the enforcement action by analyzing the institution's regular progress reports, conducting on-site visitation(s), or by conducting a regular examination.

*Human Resources (staffing and training):* In 2023, the FDIC has 1,717 authorized positions in its field workforce to conduct risk management examinations. Field examiners conduct on-site examinations and visits. These positions include a variety of examiners with specialized skills, such as large bank specialists, loan review analysts, and IT examiners and specialists. Staffing and training needs are reviewed regularly to ensure that examiners possess the skills and knowledge needed to effectively identify existing and emerging risks. The FDIC updated its IT subject matter expert on-the-job training (OJT) programs in 2019 and is currently developing formal subject matter expert OJT programs in the areas of trust, accounting, AML, and capital markets.

The FDIC has cooperative agreements with most states to conduct joint or alternating risk management examinations. If a state is unable to meet the provisions of the agreement, the FDIC will work with the state supervisor to satisfy the statutory examination requirement.

Case managers and other regional office officials finalize reports of examination and monitor compliance with enforcement programs. Staffing and training needs for this function are also reviewed regularly to ensure that the resources available are adequate and that employees possess the required skills and knowledge.



*Information Technology:* The FDIC's Virtual Supervisory Information on the Net (ViSION) system is used to track the findings of risk management examinations and outcomes of applications. ViSION also is used to monitor all enforcement activity and other significant events at troubled institutions and to track on-site visits and follow-up examinations of institutions rated 3, 4, or 5.

As previously described, the FDIC is developing comprehensive plans to modernize its technology for managing the supervision program through its RMS BPM project. Through this project, the FDIC will replace software applications, including ViSION, with automated business processes residing on a cloud-based platform that ultimately will host end-to-end supervision processes.

### **Verification and Validation**

The number and timing of examinations are tracked through ViSION and reported through established management reporting processes. Matters Requiring Board Attention are also tracked through ViSION.

### **2022 Performance Results**

The FDIC successfully met the performance targets for this annual performance goal in 2022. This annual performance goal and its associated performance indicators and targets are substantially unchanged for 2023.

### **Annual Performance Goal 2.1-2**

Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering, and other financial crimes.

### **Indicator and Target**

1. Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy
  - Conduct all AML/CFT examinations within the timeframes prescribed by statute and FDIC policy.

## Means and Strategies

*Operational Processes (initiatives and strategies):* The FDIC conducts AML/CFT examinations and Office of Foreign Assets Control (OFAC) reviews to assess the AML/CFT compliance programs and review OFAC compliance of FDIC-supervised institutions. These examinations and reviews cover sound risk management; compliance with the AML/CFT program requirements, recordkeeping, and reporting requirements; the ability of the institution to identify and report suspicious activities; and compliance with trade and economic sanctions. AML/CFT examinations and OFAC reviews are performed as a part of all risk management examinations of FDIC-supervised institutions. The FDIC also completes AML/CFT examinations and OFAC reviews for states that do not conduct these examinations. The FDIC follows a risk-based approach to AML/CFT examinations and OFAC reviews, which allows examiners to direct resources to those areas with the greatest potential for money laundering, terrorist financing, and other illicit financial activity risk.

Guidance is provided to risk management staff through written memoranda, the *FFIEC Bank Secrecy Act (BSA)/ Anti-Money Laundering (AML) Examination Manual*, and the FDIC's *Risk Management Manual of Examination Policies*. Training (as described below) is delivered via FFIEC examiner webinars, the FFIEC BSA/AML Examination Workshop, the FFIEC Advanced BSA/AML Specialists Conference, FDIC-sponsored foundational AML training, and other FDIC-hosted AML-related conference calls.

*Human Resources (staffing and training):* More than 300 FDIC examiners are designated as AML/CFT subject matter experts. Staffing and training needs are reviewed regularly to ensure the staff resources supporting the AML/CFT examination program are adequate and that employees possess the skills and knowledge to effectively and successfully assess compliance with AML/CFT requirements and detect any emerging risks. The FDIC continued the development of a formal OJT program to strengthen higher-level proficiencies in the AML/CFT and OFAC examination specialty area. Work on this program will continue into 2023.

During 2022, staff participated in training related to the issuance of specific sections of the FFIEC BSA/AML Examination Manual, including: introduction to customers, charities and non-profit organizations, independent automated teller machine owners and operators, and politically exposed persons.

Staff also worked with the Financial Crimes Enforcement Network (FinCEN) and the other federal banking agencies to issue a customer statement emphasizing the risk-based approach to assessing customer relationships and conducting customer due diligence. Many examiners also attended the FFIEC Examination Workshop and FFIEC Advanced BSA/AML Specialists Conference. Additional training will be conducted in 2023.

*Information Technology:* ViSION is used to track the number and timing of required AML/CFT examinations. Examiners also use the Examination Tool Suite (ETS) to update AML/CFT violation codes automatically, thereby increasing the efficiency of those examinations. As previously described, the FDIC is developing comprehensive plans to modernize its technology for managing the supervision program through its RMS BPM project. Through this project, the FDIC will replace software applications—including ViSION and ETS—with automated business processes residing on a cloud-based platform that ultimately will host end-to-end supervision processes.

### **Verification and Validation**

The number and timing of AML/CFT examinations are tracked in ViSION and reported through established management reporting processes.

### **2022 Performance Results**

The FDIC successfully met the performance target for this annual performance goal in 2022. This annual performance goal and its associated performance indicator and target are substantively unchanged for 2023.

### **Annual Performance Goal 2.1-3**

Establish regulatory capital standards that require institutions to have sufficient loss-absorbing capacity to remain resilient under stress while reducing complexity and maximizing efficiency.

## Indicator and Target

1. U.S. implementation of internationally agreed capital standards and other capital standards for large institutions
  - Issue a Notice of Proposed Rulemaking (NPR) to implement the final Basel III standards to strengthen capital requirements applicable to large banks into the U.S. regulatory capital framework.

## Means and Strategies

*Operational Processes (initiatives and strategies):* The Basel Committee on Banking Supervision reached a final agreement in 2017 on modifications to the Basel III international regulatory framework for the largest and most complex institutions. This final agreement would strengthen the regulatory framework for large banking organizations, including strengthening the capital requirements related to market risk, operational risk, and the risks associated with financial derivatives. In September 2022, the federal banking agencies publicly reemphasized their continued commitment to implementation of this final agreement.

The remaining Basel III standards would address concerns regarding excessive variability in the measurement of risk-weighted assets (RWAs) across large internationally active banking institutions. These revisions are designed to reduce RWA variability by enhancing the robustness and risk sensitivity of the standardized approach for credit risk and operational risk and constraining the use of internal models. In addition, the Basel III revisions will enhance the market risk framework by introducing:

- A clearer boundary between the trading book and the banking book,
- An internal models approach that relies upon the use of expected shortfall models,
- Separate capital requirements for risk factors that cannot be modeled, and
- A risk-sensitive standardized approach that is designed and calibrated to be a credible fallback to the internal models approach.

The FDIC, OCC, and FRB will issue a proposed rule in 2023 to address these issues.

*Human Resources (staffing and training):* In 2022, the FDIC continued to increase the number of staff with capital markets expertise by adding staff resources and providing internal and external training on liquidity, funding, capital, trading activities, financial modeling, and other capital market areas. The FDIC is also developing a formal OJT program to develop higher-level proficiencies in the capital markets specialty area.

*Information Technology:* The FDIC will use existing technology to accomplish this annual performance goal.

### **Verification and Validation**

Progress in meeting this annual performance goal will be tracked through periodic meetings and established management reporting processes. The update of Basel III standards will be verified through the publication of an NPR in the *Federal Register*.

### **2022 Performance Results**

The FDIC did not achieve the performance target for this annual performance goal in 2022. This annual performance goal and its associated performance indicator and target are substantively unchanged for 2023. Although an NPR to implement the final Basel III standards into the U.S. regulatory capital framework was not completed in 2022, the federal banking agencies expect to issue the NPR during 2023.

### **Annual Performance Goal 2.1-4**

Implement strategies to promote enhanced cybersecurity and business continuity within the banking industry.

### **Indicator and Targets**

1. Enhancement of cybersecurity awareness and preparedness of the banking industry
  - Continue to conduct horizontal reviews that focus on the IT risks in large, complex institutions and service providers.

- Continue to conduct service provider examinations using the Cybersecurity Examination Program.
- Conduct IT examinations as part of every FDIC safety and soundness examination of FDIC-insured institutions.
- Amplify cybersecurity threat information as needed.
- Strengthen administration of the IT examination program.

### Means and Strategies

*Operational Processes (initiatives and strategies):* The importance of cybersecurity and business continuity management to ensure the soundness and stability of the nation's financial services sector cannot be overstated. The FDIC prioritizes this issue and adjusts its financial institution supervision and bank service provider examinations to address cybersecurity risk in light of current and emerging threats. In 2017, the FDIC, OCC, and FRB established a uniform process and tool for assessing how service providers manage cybersecurity risks. Currently, the FDIC assesses the abilities of supervised financial institutions to manage IT risks through the Information Technology Risk Examination (InTREx) program that is used at each bank safety and soundness examination. This program, developed in collaboration with the FRB and the Conference of State Bank Supervisors (CSBS), supports examiners in evaluating cybersecurity, business continuity, incident response, audit and assessment, board and management oversight, vendor relationships, and payment systems. In 2023, the FDIC will focus on strengthening IT examination administration.

The majority of bank service provider examinations are conducted and scheduled on an interagency basis. Planning for examinations of the most significant bank service providers takes place annually with the OCC and the FRB. Examinations of smaller bank service providers are managed at the FDIC regional office level in coordination with local FRB and OCC counterparts. When weaknesses are identified in supervised institutions or bank service providers, the FDIC seeks corrective action through informal and formal actions.

The FDIC continues to participate with the FRB and OCC in the interagency Coordinated Cybersecurity Review Program which allows the agencies to jointly conduct horizontal reviews of the eight largest financial institutions, focusing on the effectiveness of enterprise-wide cybersecurity governance and risk management functions. This program improves the efficiency of cybersecurity supervision of the largest financial institutions and allows the regulatory agencies to jointly focus on areas of highest risk. The 2023 scope of work will include assessments of material risks to these firms.

In 2022, the FDIC co-led a horizontal review of the most significant bank service providers with the FRB and OCC. The review evaluated the cyber resilience of the financial industry's most critical service providers. Preparation for cyberattacks, and for recovery if an attack is successful, is a fundamental duty of firms in providing resilient services, and in protecting the confidentiality, integrity, and availability of client financial institution data.

In addition, in November 2021, the FDIC, OCC, and FRB issued a final rule that requires supervised banking organizations to promptly notify their primary federal regulator in the event of a computer security incident (12 CFR Part 304 RIN 3064-AF59, "Computer-Security Incident Notification Requirements for Banking Organizations and Their Bank Service Providers"). The rule went in to effect in May 2022. In particular, alerts are required for incidents that could result in a banking organization's inability to deliver services to a material portion of its customer base, jeopardize the viability of key operations, or impact the stability of the financial sector. The alerts are evaluated upon receipt to determine the appropriate action and analyzed quarterly in order to identify trends.

Since 2014, the Federal Financial Institutions Examination Council (FFIEC) has recommended that financial institutions of all sizes participate in the Financial Services Information Sharing and Analysis Center (FS-ISAC). Rapidly evolving cybersecurity risk reinforced the need for all institutions and their critical technology service providers to have appropriate methods for monitoring, sharing, and responding to threat and vulnerability information. This information is critical to safeguarding customer and other sensitive information and information technology systems. Participating in information-sharing forums is an important element of an institution's risk management processes and its ability to identify, respond to, and mitigate cybersecurity threats and incidents.

To support, but not replace, an institution's threat information awareness program, the FDIC amplifies communications from law enforcement, security, and intelligence agencies when the threats or vulnerabilities identified could affect a large number of financial institutions, and the threats or vulnerabilities could result in severe disruptions to banking services or unauthorized access to non-public information. As noted by the FFIEC, financial institutions and their service providers have the primary obligation to monitor for threats and vulnerabilities, and the FDIC can highlight the importance of taking action to mitigate the risks in the most severe cases.

*Human Resources (staffing and training):* All commissioned risk management examiners have basic IT examination skills attained through the FDIC's training programs. The FDIC also has 92 dedicated IT examiners; 113 risk management examiners designated as either intermediate (99) or advanced (14) IT subject matter experts based on the completion of the FDIC's IT OJT program; and 47 specialized IT Examination Analysts, who support the IT examination process with advanced technical skills. IT policy and examination personnel at headquarters also support the IT examination function.

*Information Technology:* ViSION is used to schedule and track the completion of risk management examinations, and to track any related enforcement actions or significant events at institutions due to noncompliance with IT-related banking laws and regulations.

As previously described, the FDIC is developing comprehensive plans to modernize its technology for managing the supervision program through its RMS BPM project. Through this project, the FDIC will replace software applications, including ViSION, with automated business processes residing on a cloud-based platform that ultimately will host end-to-end supervision processes.

### **Verification and Validation**

All IT examination activity (including service provider examinations) conducted by FDIC staff and detailed information on individual examiner participation is tracked through FDIC systems. The number and timing of IT examinations are tracked through ViSION and reported through established management processes. Enforcement actions and the timing of required on-site visits are also tracked through ViSION.



The FDIC uses its triennial Regional Office review program to ensure that regions effectively conduct IT examinations and monitor the compliance of FDIC-supervised institutions with formal and informal enforcement actions. These reviews incorporate various components of the supervisory process, including assessment of the appropriateness of formal and informal corrective actions and monitoring of enforcement implementation and follow-up activities. Any material exceptions noted during the reviews are brought to management's attention for appropriate action.

## **2022 Performance Results**

The FDIC met the performance targets for this annual performance goal in 2022. This annual performance goal and its associated performance indicator are unchanged for 2023. Two performance targets are unchanged, and three new performance targets have been added, for 2023.

### **Annual Performance Goal 2.1-5**

Update rules, regulations, and other guidance to promote the safety and soundness of the financial system.

#### **Indicators and Targets**

1. Modernization of FDIC regulations and Statements of Policy to reflect regulatory requirements and processes
  - Review and, as appropriate, amend the FDIC's regulations, Statements of Policy, and internal procedures related to financial institution mergers.
2. Revision and clarification of FDIC rules, regulations, policies, procedures, and guidance
  - Finalize principles for large institutions and continue to engage with industry and other stakeholders on consideration of appropriate guidance to help banks prudently manage the financial risks posed by climate change.
  - Issue statements and take other actions, as appropriate, regarding crypto asset-related activities.

- Continue efforts related to rulemaking on Suspicious Activity Report (SAR) requirements.
- Based on lessons learned from the bank failures in early 2023, and in coordination with the OCC and FRB, review the prudential regulation of regional banks with respect to capital, liquidity, and interest rate risk (including the capital treatment of unrealized losses) and consider whether changes or updated guidance are appropriate.

### Means and Strategies

*Operational Processes (initiatives and strategies):* The FDIC has worked to strengthen the banking system by modernizing its approach to supervision and regulation. These efforts seek to enhance efficiency and transparency while maintaining the safety and soundness of the system. To have a strong financial system and strong economic growth, banks must be able to meet the needs of consumers and businesses across the nation. This requires, in turn, that regulators modernize rules as the industry evolves. Rules are also revised and updated to reflect the emergence of new areas of concern during the supervision process, such as those related the failure of three large regional banks in early 2023.

During 2022, the FDIC continued its review of the bank merger process, in light of industry changes since the last comprehensive review 25 years ago, and the significant implications of bank mergers for competition, safety and soundness, financial stability, and meeting the financial services needs of communities. To that end, the FDIC participated in a number of interagency discussions of the bank merger process with the FRB and OCC, as well as the Department of Justice. Consistent with the Executive Order on Promoting Competition in the American Economy (#14036) issued on July 9, 2021, the FDIC issued a Request for Information and Comment on Rules, Regulations, Guidance and Statements of Policy Regarding Bank Merger Transactions on March 31, 2022. The public comment period closed on May 31, 2022.

The FDIC formed an interagency working group to review the 31 comments received and develop revisions to the Statement of Policy on Bank Merger Transactions, the Applications Procedures Manual section 4 (mergers) and related regulations, as necessary. The FDIC will consider proposing changes to the Statement of Policy on Bank Merger Transactions in 2023.

The FDIC has also placed a priority on understanding the effects of climate change on the safety and soundness of financial institutions and the stability of the financial system.<sup>6</sup> Climate-related financial risks include both the physical risks and transition risks associated with climate change. Physical risks include the economic costs and financial losses resulting from the increasing severity and frequency of climate-related extreme weather events, as well as longer-term and more gradual shifts in the climate. Transition risks include financial risks that result from the process of adjusting toward a low-carbon economy, which may be prompted, for example, by changes in climate and environmental policy, technology, or market sentiment. The magnitude of these risks and the relationship between them will depend on the severity of climate change and the course of action taken to mitigate climate change.<sup>7,8</sup> Even though physical risks and transition risks pose separate and distinct financial risks to the financial system, they may operate in a mutually reinforcing manner in that transition risks can increase contemporaneously with any material increase in physical risks.

To address the risks to the safety and soundness of financial institutions and the stability of the financial system, the FDIC established an interdivisional working group to assess the enumerated financial risks and provide advice to staff developing interagency guidance. The FDIC also joined the international Network of Central Banks and Supervisors for Greening the Financial System.

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<sup>6</sup> For additional background, see generally “Report on Climate-Related Financial Risk” Financial Stability Oversight Council (Oct. 21, 2021) (FSOC Climate Report), <https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf>. Further, see “The Implications of Climate Change for Financial Stability”, Financial Stability Board, (November 23, 2020), <https://www.fsb.org/2020/11/the-implications-of-climate-change-for-financial-stability/>.

<sup>7</sup> *Ibid.*

<sup>8</sup> Network for Greening the Financial System (2020, May). *Guide of Supervisors: Integrating Climate-related and Environmental Risks into Prudential Supervision*. [https://www.ngfs.net/sites/default/files/medias/documents/ngfs\\_guide\\_for\\_supervisors.pdf](https://www.ngfs.net/sites/default/files/medias/documents/ngfs_guide_for_supervisors.pdf)

Another area of priority focus is the rapid introduction of a variety of crypto-asset or digital-asset products into the financial system. The risks associated with these activities are novel and complex, and may involve safety and soundness, consumer protection, anti-money laundering and the Bank Secrecy Act, and potentially financial stability issues. The FDIC created an interdivisional working group to assess the enumerated risks and provide advice to staff developing interagency guidance.

Crypto-related activities may pose significant safety and soundness risks, as well as financial stability and consumer protection concerns. Moreover, these risks and concerns are evolving as crypto-related activities are not yet fully understood. As a result of the dynamic nature of crypto-related activities, it is difficult for institutions, as well as the FDIC, to adequately assess the safety and soundness, financial stability, and consumer protection implications without considering each crypto-related activity on an individual basis. Therefore, the FDIC has requested all FDIC-supervised institutions that are already engaging or are considering engaging in crypto-related activities to notify the FDIC and to provide all necessary information that would allow the FDIC to engage with the institution regarding related risks. The FDIC provides relevant supervisory feedback to the FDIC-supervised institution, as appropriate, in a timely manner.

In July 2021, the FDIC, along with the FRB and OCC, requested public comment on proposed guidance designed to help banking organizations manage risks associated with third-party relationships, including relationships with financial technology-focused entities. The proposed guidance is intended to assist banking organizations in identifying and addressing the risks associated with third-party relationships and responding to industry feedback requesting alignment among the agencies regarding third-party risk management guidance. The comment period closed in October 2021, and the agencies are considering the comments received in an effort to issue interagency guidance in 2023.

In 2020, the FDIC published in the Federal Register an NPR that would amend the agency's Suspicious Activity Reporting (SAR) regulation. The proposed regulation would permit the FDIC to issue additional, case-by-case exemptions from SAR filing requirements to FDIC-supervised institutions.

The FRB, OCC, and National Credit Union Administration (NCUA) issued similar but independent proposed rulemakings to amend their respective SAR regulations to permit those agencies to issue additional, case-by-case exemptions from SAR filing requirements to their supervised financial institutions. The FDIC has worked in concert with the FRB and NCUA to develop consistent regulation text and approaches. The FDIC plans to issue a final rule in 2023. The OCC issued its final rule on March 16, 2022, that was generally consistent with the NPR.

*Human Resources (staffing and training):* The FDIC maintains dedicated staff who are experts in the development of regulation, policy, and guidance within its Division of Risk Management Supervision and Legal Division. There are also staff who have been developing subject matter expertise in a variety of specialized areas, including climate and digital assets. These experts will work together to carry out the policy initiatives listed above.

*Information Technology:* Information regarding changes to FDIC rules, regulations, and guidance will be communicated through the FDIC's public website (<https://www.fdic.gov>).

### **Verification and Validation**

Progress in meeting this goal will be reported through established management reporting processes.

### **2022 Performance Results**

The FDIC met the performance targets for this annual performance goal in 2022. This annual performance goal and performance indicators are unchanged, while performance targets have been updated to reflect new activities.

### **Annual Performance Goal 2.1-6**

Increase engagement and collaboration to preserve and promote FDIC-insured minority depository institutions (MDIs) and mission-driven institutions.

## Indicators and Targets

1. Enhance outreach and collaboration with FDIC-insured MDIs
  - Convene meetings of the MDI Subcommittee of the Advisory Committee on Community Banking (CBAC) to gain insight into industry needs, seek input on program operations, and share best practices.
  - Host an interagency conference for FDIC-insured MDIs and Community Development Financial Institutions.
2. Preserve and encourage minority ownership of insured financial institutions
  - Promote the creation of new MDIs.

## Means and Strategies

*Operational Processes (initiatives and strategies):* The FDIC supports five statutory goals that were established in the 1989 Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA):

- To preserve the number of MDIs;
- To preserve the minority character in cases involving the merger or acquisition of an MDI;
- To provide technical assistance to help prevent insolvency of MDIs;
- To promote and encourage creation of new MDIs; and
- To provide training, technical assistance, and educational programs for MDIs.

These goals recognize that minority banks play an important role in serving the financial needs of historically underserved communities and minority populations.

FDIC research shows that FDIC-insured MDIs commit a larger portion of their portfolios to minority and low- or moderate-income communities than comparable non-MDIs. MDIs are often the financial lifeblood of their communities, enabling individuals and small businesses to securely build savings and obtain credit in challenging economic environments.

Many mission-driven banks are small, and building capacity and scale are critical to growing their operations and expanding services to their communities. Access to the capital markets is a common challenge for many of these institutions. The FDIC regularly works to create opportunities for FDIC-insured MDIs to build partnerships with other banks or private companies for financial support, lending, and other services, including technical assistance.

The FDIC also supports MDIs by providing these institutions with technical assistance, sponsoring banker roundtables, providing education and training, and engaging in other outreach initiatives. Since 2020, significant new resources became available to MDIs through private investments by corporations and large banks and public funding of up to \$12 billion provided through the U.S. Department of the Treasury. In 2023, the FDIC will focus on facilitating additional partnerships with private and government organizations offering support to MDIs and other mission-driven institutions.

In 2023, the FDIC will also continue to engage the MDI Subcommittee for feedback and to showcase MDI best practices, highlight the role these institutions play in their communities, and continue to promote the visibility and benefits of mission-driven banks. The FDIC will co-sponsor an interagency conference for FDIC-insured MDIs and Community Development Financial Institutions. The FDIC will build upon its efforts to promote new MDIs through the publication of an interactive mapping tool showing census tracts with large minority populations overlaid with MDI, community bank, and large bank branch locations. This builds upon the publication in 2022 of MDI Designation Procedures that outline the process for becoming an MDI.

*Human Resources (staffing and training):* The Office of Minority and Community Development Banking includes the Director and an expanded team based in Washington, DC. The Director reports to the Directors of the Division of Risk Management Supervision (RMS) and the Division of Depositor and Consumer Protection (DCP) to leverage resources and expertise in the two divisions.

The Director advises the FDIC Chairman on MDI activities and initiatives, provides overall direction and guidance, and consults with other FDIC divisions to provide appropriate resources across the agency to support program initiatives. The Office accomplishes much of its work by leveraging field and regional resources through MDI Coordinators in each of the FDIC's six regional offices and expertise across the agency. The FDIC MDI program is fully integrated into the supervision, consumer protection, insurance, and receivership business lines. In 2023, the FDIC will provide training to examiners of MDIs to reinforce the application of exam standards to the unique risks and business models of these institutions following a training pilot conducted in 2022.

*Information Technology:* Existing technology will be used to accomplish this goal.

### **Verification and Validation**

Progress in completing the initiatives planned for this annual performance goal will be monitored through established management reporting processes.

### **2022 Performance Results**

The FDIC successfully met the performance targets for this annual performance goal in 2022. This annual performance goal and its associated performance indicators are unchanged, but the performance targets have been updated for 2023.

## **STRATEGIC GOAL 3:**

*FDIC-supervised institutions are compliant with federal consumer protection laws, including fair lending laws, and the Community Reinvestment Act (CRA).*

### **STRATEGIC OBJECTIVE 3.1**

The FDIC supervises institutions for compliance with applicable federal consumer protection laws, including fair lending laws; the law against unfair and deceptive practices; and the CRA.



### Annual Performance Goal 3.1-1

Conduct on-site CRA and consumer compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised institutions. When violations are identified, promptly implement appropriate corrective programs/actions and follow up until the violations are fully corrected.

#### Indicators and Targets

1. Percentage of consumer compliance examinations conducted in accordance with the timeframes prescribed by FDIC policy
  - Conduct all required examinations within the timeframes established.
2. Implementation of corrective programs
  - Conduct visits and/or follow-up examinations in accordance with established FDIC processes and timeframes to determine whether institutions have implemented the requirements of any corrective program and have fully addressed identified violations.
3. Update of CRA regulations
  - Publish an interagency final rule to modernize and strengthen CRA regulations.

#### Means and Strategies

*Operational Processes (initiatives and strategies):* The FDIC conducts CRA and consumer compliance examinations of FDIC-supervised institutions to determine compliance with consumer protection and fair lending laws and performance under the CRA.

The frequency of consumer compliance examinations is specified by FDIC policy. For CRA examinations, the FDIC's examination frequency policy conforms to applicable provisions of the Gramm-Leach-Bliley Act (GLBA), which establishes the CRA examination cycle for most small institutions. In 2023, the FDIC estimates that it will conduct 1,059 consumer compliance and/or CRA examinations.

The FDIC's consumer compliance examination approach emphasizes a risk-focused scoping process to look at an institution's compliance risk management practices and the potential risk of consumer harm. Based on this analysis, transaction testing may occur to further review particular risks, which could include an entire operational area or regulation, or only a limited aspect of an area of regulation. This approach creates a more efficient and effective use of examination resources, especially in financial institutions with high compliance risk profiles. In addition, for institutions that exhibit elevated or unique risks, the FDIC implemented in 2022 a Complex Bank Supervision Program that employs a continuous supervisory strategy. These institutions often have complex business models, offer non-traditional products or services, and/or rely heavily on third party-relationships.

Compliance management system deficiencies and violations of laws and regulations are identified primarily through the examination process. While discussions with bank management are usually sufficient to correct these deficiencies and violations, the FDIC has broad enforcement powers to correct unsafe or unsound practices, conditions, or violations of consumer protection and fair lending laws or regulations. Institutions subject to enforcement actions because of violations of consumer protection and fair lending laws and regulations or unsafe and unsound practices are closely monitored by regional office officials. A follow-up examination or on-site visit is conducted to review compliance with such enforcement actions. Additional follow-up action is taken when the initial enforcement action is determined to have been insufficient in addressing the identified violations and/or unsafe or unsound practices. Progress in complying with an enforcement action is also assessed through quarterly progress reports from, and direct communication with, the management of the financial institution.

Starting in mid-2021, the FDIC actively engaged with the OCC and FRB to develop a proposed rulemaking to modernize and strengthen the CRA. The agencies issued a proposed rule for comment in May 2022. The three agencies received numerous comments from a wide range of stakeholders and are working diligently to review those comments and consider possible changes as the proposal is being finalized. The last significant regulatory update to the CRA occurred in 1995. Since that time, the banking industry and the way consumers access banking services have changed significantly, including the development and adoption of online and digital methods of banking.

*Human Resources (staffing and training):* The FDIC has 475 authorized compliance examiner positions in its field examination workforce in 2023. Staffing and training needs are reviewed regularly to ensure staff resources supporting the consumer compliance supervision program are adequate to conduct a high-quality examination program and to ensure that employees possess the skills and knowledge to effectively implement this program.

For the CRA rulemaking, the agencies have established an interagency working group, divided into several work streams, that meets regularly to review and analyze hundreds of public comments submitted in response to the interagency CRA NPR, and to develop a coordinated rulemaking. A final rule is expected to be adopted by mid-2023, followed by significant interagency training for examiners and the public.

*Information Technology:* Prior to 2023, the System of Uniform Reporting of Compliance and CRA Examinations (SOURCE) was used to schedule and track consumer compliance and CRA examinations, support pre-examination planning, and provide management information. A multi-year project has been underway to replace SOURCE with the new FOCUS application built on a business process management cloud-based platform. All SOURCE users were transitioned to FOCUS for examination and supervisory activities in late 2022, and FOCUS will be enhanced in 2023 to include pre-examination planning processes, resource planning, and examination workpapers. SOURCE will be decommissioned by the end of 2023.

### **Verification and Validation**

The FDIC will analyze examination-related data collected in FOCUS to determine whether the performance targets for this goal are achieved during the reporting period. Results will be reported through established management reporting processes. The update of CRA regulations will be evidenced through the publication of a final rule in the *Federal Register*.

**2022 Performance Results**

The FDIC met the performance targets for the annual performance goal in 2022. This annual performance goal and its associated performance indicators are substantively unchanged, but the performance targets have been updated to reflect planned 2023 activity.

## STRATEGIC OBJECTIVE 3.2

The FDIC provides clear and accessible information to consumers about their rights under federal consumer protection and fair lending laws and regulations, including applicable disclosures.

### Annual Performance Goal 3.2-1

Effectively investigate and respond to written consumer complaints and inquiries about FDIC-supervised financial institutions.

#### Indicators and Targets

1. Timely responses to written consumer complaints and inquiries
  - Respond to 95 percent of written consumer complaints and inquiries within timeframes established by policy, with all complaints and inquiries receiving at least an initial acknowledgement within two weeks.
2. Public availability of information on consumer complaints
  - Publish on the FDIC's public website (<https://www.fdic.gov>) and regularly update metrics on requests from the public for FDIC assistance.

#### Means and Strategies

*Operational Processes (initiatives and strategies):* The FDIC has a comprehensive program to disseminate information to IDIs and the public on consumer rights under consumer protection and fair lending laws and regulations. It also operates a centralized National Center for Consumer and Depositor Assistance (NCDA) that coordinates the investigation of, and response to, consumer complaints and inquiries. For correspondence related to FDIC-supervised institutions, FDIC staff contacts the institution and reviews its actions for compliance with applicable federal consumer protection regulations before providing a response. Correspondence regarding institutions under the jurisdiction of other primary federal regulators is referred to those agencies. Target response times vary by the type of inquiry or complaint.

*Human Resources (staffing and training):* The NCDA is located in Kansas City. NCDA staff and management work in partnership with supervisory staff in each region on consumer complaints and inquiries involving new or unusual issues or sensitive matters.

*Information Technology:* The FDIC relies on the Enterprise Public Inquiry and Complaint System (EPIC) to maintain records and process public correspondence submitted through an online portal.

### **Verification and Validation**

The FDIC closely monitors the timeliness of its acknowledgment letters and responses through EPIC. Performance results are monitored through established management reporting processes.

In addition, surveys are sent to consumers who have filed consumer protection and fair lending complaints about an FDIC-supervised institution to assess their satisfaction with the FDIC's investigations and responses. Established survey research methods are used to ensure the validity and reliability of the survey instrument and results.

### **2022 Performance Results**

The FDIC successfully met the performance target for this annual performance goal in 2022. This annual performance goal and its associated performance indicator and targets are unchanged for 2023.

## STRATEGIC OBJECTIVE 3.3

The FDIC encourages IDIs to offer affordable checking and savings accounts and loan products that meet the needs of consumers.

### Annual Performance Goal 3.3-1

Promote economic inclusion and access to responsible financial services through supervisory, research, policy, and consumer/community affairs initiatives.

#### Indicator and Targets

##### 1. Completion of planned initiatives

- Conduct the 2023 National Survey of Unbanked and Underbanked Households.
- Develop and publish an updated, multi-year *Economic Inclusion Strategic Plan*.
- Complete identification and evaluation of outcome-based measures that could potentially demonstrate the effectiveness of economic inclusion strategies and initiatives.

#### Means and Strategies

*Operational Processes (initiatives and strategies):* In 2023, the FDIC will undertake several research and consumer/community affairs initiatives to promote economic inclusion.

#### Research

In October 2022, the FDIC published the *2021 National Survey of Unbanked and Underbanked Households*, conducted jointly with the U.S. Census Bureau. A record 95.5 percent of U.S. households had a checking or savings account at a bank or credit union in 2021, according to the report, which also highlighted ongoing opportunities to further support economic inclusion in the banking system. While an estimated 4.5 percent of all U.S. households were “unbanked” in 2021, higher shares of African American (11.3 percent) and Hispanic (9.3 percent) households lacked a bank or credit union account compared with White households (2.1 percent).

In addition, survey results indicated that many households obtained financial services from non-bank providers. In 2021, an estimated 14.1 percent of households were “underbanked”, meaning that they had a bank account and used at least one of nine non-bank financial products or services including money orders, check cashing, international remittances or bill payment services from non-banks, as well as rent-to-own services, payday loans, pawn shop loans, tax refund anticipation loans, and auto title loans from non-bank sources.

In 2023, in partnership with the U.S. Census Bureau, the FDIC will administer the 2023 National Survey of Unbanked and Underbanked Households.

#### *#GetBanked and Other Economic Inclusion Initiatives*

In its continuing pursuit of the goals and objectives of the current *FDIC Economic Inclusion Strategic Plan*, the FDIC will undertake a number of initiatives in 2023 to advance financial education, promote greater public awareness of the value of a banking relationship, and implement programs in other economic inclusion opportunity areas. The FDIC will also update its *Economic Inclusion Strategic Plan* to incorporate goals, strategies and performance measures for the next multi-year period, beginning in 2024.

In addition, consistent with the findings of a recent audit by the Government Accountability Office, the FDIC will complete its identification and evaluation of potential outcome-based measures of economic inclusion to help inform and guide current and future FDIC decisions about economic inclusion initiatives. In 2022, the FDIC undertook efforts to identify and begin tracking and reporting outcome-based measures that demonstrate the effectiveness of economic inclusion strategies to inform future programmatic decisions. The FDIC created an outcomes framework to guide the development of appropriate and informative outcomes measures and to establish a consistent approach to performance measurement across all economic inclusion opportunity areas. The framework builds on existing efforts, described in the FDIC’s *Economic Inclusion Strategic Plan*, to establish a process to measure results and assess program outcomes. The FDIC intends to continue this work in 2023 and will begin tracking and reporting in 2024 on those measures that it determines may be impacted by its economic initiatives.



The FDIC administers *How Money Smart Are You?*, a self-paced, web-based financial education game that aims to empower consumers to better control their finances and protect and manage their money. It is the newest addition to the FDIC's *Money Smart* family of products. Since launching the tool in 2021, the FDIC has issued nearly 100,000 certificates of completion, and has established more than 30,000 individual player accounts and more than 660 organization accounts. *How Money Smart Are You?* is one of the most popular resources available on FDIC.gov, with more than one million page views. The FDIC plans to continually update and promote *How Money Smart Are You?* in 2023.

In 2022, the FDIC completed development of a comprehensive update of its *Money Smart for Young Adults* (MSYA) curriculum, which will be widely distributed in early 2023. The new MSYA seeks to help young adults make better financial choices early in life, contributing to a long-lasting positive impact on their financial lives. The curriculum was updated to change the target age range from 12–20 to 16–24, and includes more in-depth coverage of select financial topics. It also incorporates new pre- and post-knowledge assessments, a modern look and feel, and more immersive learning exercises.

As part of the multi-year #GetBanked initiative, the FDIC, in conjunction with its 90<sup>th</sup> anniversary, will conduct in 2023, a broad public awareness campaign to increase public knowledge of FDIC deposit insurance, financial education resources, and the benefits of a bank account. The FDIC conducted public awareness campaigns for the #GetBanked initiative in five metropolitan statistical areas in 2021 and 2022 to motivate unbanked consumers to begin a banking relationship and open an account. Those campaigns leveraged external partnerships and programs to advance economic inclusion through bank account access and usage. The public awareness campaign planned for 2023 will engage a broader national audience and communicate consistent, accurate messages about deposit insurance while addressing any misinformation stemming from recent bank failures. Promoting the FDIC's financial education resources and the benefits of bank accounts will be part of this effort.

#### *Advisory Committee on Economic Inclusion (ComE-IN)*

The ComE-IN will continue to support research, programs, and pilots that promote sound supervisory and public policies to improve the “appropriate engagement” of households with mainstream financial institutions. Appropriate engagement means that households are able to obtain financial products and services that are affordable, easy to understand, and not subject to unforeseen fees.

The ComE-IN works to support expanded availability of safe, low-cost transaction and savings accounts and the responsible use of technology, including mobile banking, to expand banking services to the population. The ComE-IN may make recommendations to the FDIC that require the participation and cooperation of multiple stakeholders, including other federal agencies; federal, state, and local policymakers; the financial services industry; nonprofit and philanthropic groups; and consumer groups.

During 2023, FDIC working groups will continue to facilitate partnerships and conduct outreach to expand affordable account access and build consumer awareness of mainstream banking services. The FDIC may seek advice and recommendations on these initiatives from the ComE-IN.

*Human Resources (staffing and training):* This annual performance goal will be carried out principally by existing staff in the FDIC's Division of Depositor and Consumer Protection. ComE-IN activities are supported by FDIC staff in several divisions.

*Information Technology:* Existing technology will be used to accomplish this goal. The ComE-IN's public meetings are broadcast on the FDIC's public website at <https://www.fdic.gov/about/comein>.

### **Verification and Validation**

Progress in achieving this annual performance goal will be monitored through established management reporting processes.

### **2022 Performance Results**

The FDIC met the performance targets for this annual performance goal in 2022. The annual performance goal and performance indicators are unchanged, but the performance targets have been updated for 2023.

## STRATEGIC GOAL 4:

*Large, complex financial institutions are resolvable in an orderly manner.*

### STRATEGIC OBJECTIVE 4.1

Large, complex financial institutions are resolvable under the bankruptcy code or, for covered IDIs, the Federal Deposit Insurance (FDI) Act, as applicable.

#### Annual Performance Goal 4.1-1

Identify and address risks in LCFIs, including those designated as systemically important.

#### Indicators and Targets

1. Compliance with the statutory and regulatory requirements under Title I of the Dodd-Frank Act
  - In collaboration with the FRB, begin the review of resolution plans submitted in July 2023 pursuant to Section 165(d) of the Dodd-Frank Act for conformance to statutory and other regulatory requirements, including testing certain capabilities the firms need in order to successfully implement their strategies.
  - Following up on the joint Advance Notice of Proposed Rulemaking (ANPR) on resolution resource requirements for large banks, issue an NPR to solicit public comment on a requirement for LCFIs to issue long-term debt to enhance options for their resolution in the event of financial distress.
2. Compliance with the statutory and regulatory requirements under Section 360.10 of the FDIC Rules and Regulations (IDI Rule)
  - Continue a review of resolution plans submitted pursuant to the IDI Rule for conformance to regulatory requirements.
  - Continue to improve the utility of IDI resolution plan requirements to the FDIC by building on the lessons learned, from prior reviews and the three large regional bank failures in early 2023.

3. Risk monitoring of LCFIs, including BHCs, and designated non-banking firms
  - Conduct ongoing risk analysis and monitoring of LCFIs to better understand and assess their structure, business activities, risk profiles, and recovery and resolution plans.

## Means and Strategies

*Operational Processes (initiatives and strategies):* The FDIC is responsible for conducting ongoing risk monitoring reviews of all banking organizations with more than \$100 billion in assets, as well as any non-bank financial companies designated as systemically important by the Financial Stability Oversight Council (FSOC) (i.e., designated non-bank SIFIs). The agency's ability to analyze and respond to risks in these institutions is particularly important, as they comprise a significant share of banking industry assets and deposits. The FDIC's work in this regard in 2023 will include participating in targeted examinations and horizontal reviews conducted by the OCC and FRB covering key risks within the FDIC portfolio; preparing written analyses of the condition of each insured bank and its parent company; and preparing risk-specific reports with both firm-specific and horizontal analysis and the overall market view on key risks facing LCFIs. The FDIC will also continue in 2023 to develop its capabilities related to its risk-monitoring and resolution-planning responsibilities for LCFIs, whether under the FDI Act or the Dodd-Frank Act, and will undertake several initiatives to identify and address risks in LCFIs, including those designated as systemically important.

The FDIC and FRB are jointly responsible for reviewing the resolution plans filed by BHCs and designated non-banking SIFIs to ensure that each provides a credible plan for reorganizing a firm or liquidating it through bankruptcy without triggering severe adverse consequences for the financial system or the U.S. economy. The FDIC, jointly with the FRB, reviewed the 165(d) resolution plans submitted by 17 large domestic and foreign banking organizations in 2021 and provided feedback to the covered companies in late 2022. The FDIC and FRB also announced an intent to issue for notice and comment, additional guidance for future 165(d) plan submissions. In 2023, the FDIC and FRB will also continue to review and implement changes, as needed, in the review process to ensure that it provides an effective and rigorous framework for meeting the agencies' responsibilities under the Dodd-Frank Act.

The FDIC and FRB also jointly issued in 2022 an advance notice of proposed rulemaking (ANPR) regarding resolution-related requirements to improve the prospects for the orderly resolution of other large bank organizations in the U.S. The ANPR asked for comment on potential new requirements and resources that could be used for an orderly resolution of these large bank organizations. In particular, the agencies focused on the issuance of long-term debt by large banking organizations and their insured depository institutions to enhance options for the orderly resolution of the nation's largest and most complex banks. The FDIC expects to review public comments and carry this work forward, with the FRB, in 2023.

The FDIC will continue to prepare in 2023 for the potential future resolutions of a large IDI, including preparations for the analysis of IDI resolution plans, following the resolutions of three large failed banks in early 2023. The FDIC will continue its review of the resolution plans that were submitted by IDIs in December 2022. In addition, the FDIC will continue to review and implement changes, as needed, to ensure an effective and rigorous framework for IDI plan review and assessment, including regular engagement and capabilities testing with IDIs, as required by Section 360.10 and consider proposed changes to the rule incorporating lessons learned from those resolutions.

The FDIC's resolution planning in 2023 will also continue to focus on systemically important central counterparties (CCPs). CCPs play a critical role in the financial system—their clearing services are central to U.S. financial markets—and accordingly, the FDIC is focused on resolution outcomes that avoid or mitigate serious adverse effects on U.S. financial stability and ensure that critical services provided by CCPs remain available. In 2022, the FDIC's work in this regard included continued participation in a regular series of senior-level meetings held since 2017 between U.S. and United Kingdom authorities. In 2023, the FDIC will continue its engagement with the Securities and Exchange Commission (SEC), Commodity Futures Trading Commission (CFTC), and FRB, as well as with international counterparts, and exchange views on issues of shared interest in regard to CCPs.

*Human Resources (staffing and training):* The FDIC's review of resolution plans submitted under Section 165(d) of the Dodd-Frank Act is carried out by a multidisciplinary team of personnel from various divisions with expertise across all major operational and business line functions of the covered

companies, both domestically and internationally. The FDIC's review of resolution plans submitted under the IDI Rule is carried out by multidisciplinary teams primarily consisting of commissioned examiners and resolution specialists. These teams are complemented by subject matter experts, as necessary. Training needs for each of these groups are reviewed regularly to ensure that they have the knowledge and expertise necessary to appropriately perform their assigned responsibilities. Ongoing risk monitoring of LCFIs is conducted by on-site resident teams and off-site analysts.

*Information Technology:* The FDIC uses existing technology to track the submission and review of the resolution plans required under Section 165(d) of the Dodd-Frank Act and Section 360.10 of the FDIC Rules and Regulations.

### **Verification and Validation**

Progress in achieving this annual performance goal will be monitored through established management reporting processes.

### **2022 Performance Results**

The FDIC successfully met the applicable performance targets for this annual performance goal in 2022. This annual performance goal and its performance indicators are unchanged, but the performance targets have been updated for 2023.

## STRATEGIC OBJECTIVE 4.2

In the event of the failure of a large, complex financial institution, the FDIC carries out the resolution in an orderly manner in accordance with statutory mandates.

### Annual Performance Goal 4.2-1

Continue to build the FDIC's operational readiness to administer the resolution of LCFIs, including those designated as systemically important.

#### Indicators and Targets

1. Refinement of resolution plans and strategies
  - Continue to refine plans and strategic options to ensure the FDIC's operational readiness to administer the resolution of LCFIs.
2. Continued cross-border coordination and cooperation in resolution planning
  - Continue to deepen and strengthen working relationships with key foreign jurisdictions, both on a bilateral basis and through multilateral fora.

#### Means and Strategies

*Operational Processes (initiatives and strategies):* The largest BHCs are required to prepare resolution plans under Title I of the Dodd-Frank Act. These resolution plans must demonstrate that the firm could be resolved under bankruptcy without triggering serious adverse effects on financial stability in the United States. As a backstop, for circumstances in which an orderly bankruptcy process might not be possible, Title II of the Dodd-Frank Act provides the FDIC with the Orderly Liquidation Authority (OLA) to manage the failure of the firm. This authority may only be implemented after recommendations by the appropriate federal regulatory agencies and a determination by the Secretary of the Treasury in consultation with the President. In addition, as noted above, the FDIC is continuing to develop its planning and preparedness to enhance options for the orderly resolution under the FDI Act of IDIs that are LCFIs.

Given the challenges presented in the resolution of an LCFI—especially as these companies are currently organized and operated—the FDIC initially focused its efforts on developing a resolution strategy called the single point of entry. This strategy would place the top-tier parent company of the firm into receivership while establishing a temporary bridge financial company (BFC) to hold and manage its critical operating subsidiaries for a limited period. To operate the BFC, the FDIC would appoint a new board of directors and senior management that would be charged with managing the wind-down of the firm in a way that minimizes systemic disruption. Losses would be borne by creditors, including holders of long-term debt and equity, in accordance with the priorities established under the OLA. As a well-capitalized entity, the FDIC expects that the BFC and its subsidiaries would be in a position to borrow from customary sources in private markets to meet its liquidity needs. However, if such funding is not immediately available, the law provides a dedicated, back-up source of liquidity—not capital—through the Orderly Liquidation Fund (OLF). The OLF would be used, if necessary, in the initial stage of resolution until private funding could be accessed.

There are a number of important limitations on the use of the OLF. The Dodd-Frank Act limits the amount that can be borrowed and requires that any OLF borrowing must be repaid from recoveries on the assets of the failed firm. If those recoveries should prove insufficient, assessments would be levied on the largest financial companies. Under the law, taxpayers cannot bear losses. Instead, losses are borne by the failed company through its shareholders and creditors, and, if necessary, by the financial industry through assessments.

Advance planning and cross-border coordination are essential to prepare for the orderly resolution of systemically important financial companies with significant international operations. Recognizing that such financial companies present complex cross-border legal and operational planning challenges, the FDIC works on an ongoing basis with foreign regulators to operationalize, maintain, and enhance frameworks for effective cross-border cooperation. The FDIC will continue to engage bilaterally and multilaterally in 2023 with authorities in strategically important foreign jurisdictions to further develop resolution strategies for GSIBs that are chartered or have a substantial presence in the U.S.



This engagement includes, among other things, participating in staff-level working groups with foreign authorities, tabletop exercises, principal-level events, and more generally, participating in programs with foreign authorities and standard-setting bodies involved in supervision and resolution planning for GSIBs.

The FDIC, jointly with the FRB, or with the CFTC or SEC, as applicable, also will convene meetings of Crisis Management Groups (CMGs) for U.S. GSIBs and CCPs and attend meetings of CMGs for non-U.S. GSIBs and CCPs with significant U.S. operations or other nexus. The FDIC will also participate in other activities intended to advance cross-border cooperation in furtherance of resolution planning by firms and authorities. Such activities will take account of the Key Attributes of Effective Resolution Regimes for Financial Institutions (Key Attributes) from a U.S. perspective. The Key Attributes, endorsed by the Group of Twenty (G-20) in 2011, set out core elements for an effective resolution regime, including the ability to manage the failure of a global SIFI (G-SIFI) in a way that minimizes systemic disruption and avoids exposing taxpayers to the risk of loss. The FDIC currently chairs the Financial Stability Board's (FSB's) Resolution Steering Group (ReSG). The FDIC is also a member of ReSG and its constituent cross-border crisis management working groups for banks, financial market infrastructures, and insurers. The FDIC will continue its work with the FSB, and its member authorities, which increasingly has progressed from Key Attributes policy development to implementation and related crisis management preparedness initiatives.

*Human Resources (staffing and training):* This annual performance goal will be carried out by existing and newly on-boarded FDIC staff, with contractor support for certain functions. The training needs of staff are reviewed regularly to ensure that teams have the knowledge and expertise necessary to appropriately perform their assigned responsibilities.

*Information Technology:* Existing IT systems from the failed institution will be used in the resolution of a large, complex firm. The FDIC will continue to identify other IT needs relative to a failure of a large, complex financial institution during 2022.

**Verification and Validation**

The FDIC draws on its experience resolving IDIs and has devoted considerable time and resources to advance its planning for the rapid and orderly resolution of LCFIs. To evaluate the effectiveness of these planning efforts and to identify areas of further development, the FDIC holds operational exercises to validate the steps involved in carrying out a systemic resolution. In addition, the resolution strategies are presented and discussed in international fora, including CMG meetings and several other international platforms, for engagement among senior staff of supervisory and resolution authorities focused on resolution planning to continue to deepen and strengthen working relationships with key foreign jurisdictions.

**2022 Performance Results**

The FDIC successfully met the performance targets for this annual performance goal in 2022. This annual performance goal and its associated performance indicators and targets are substantively unchanged for 2023.

## RECEIVERSHIP MANAGEMENT PROGRAM

The FDIC also promotes public confidence and maintains stability in the nation's financial system through its receivership management program. When an IDI fails, the FDIC is appointed receiver. In its receivership capacity, the FDIC assumes responsibility for efficiently achieving maximum recoveries from the disposition of assets from the receivership. These recoveries are then distributed to the receivership's creditors under the priorities set by law.

Prior to failure, the FDIC typically has the opportunity to analyze the assets and liabilities of a failing IDI to determine its current market value. This information is used by the FDIC to market and sell the IDI in whole or in part to qualified bidders. The FDIC markets failed IDIs broadly, ensuring that all qualified bidders are given an opportunity to present bids. Bids are evaluated and compared to the estimated cost of liquidation to determine the least-costly resolution.

In the event an assuming institution cannot be found, the FDIC uses other resolution transactions including a:

- Payout, where insured funds are paid directly to depositors;
- Deposit Insurance National Bank (DINB), where a temporary national bank is established with limited life to assume the insured deposits of a failed IDI, which allows depositors time to move their insured accounts to other institutions; or
- Bridge Bank, where a temporary national bank is established and operated by the FDIC on an interim basis to acquire the assets and assume the liabilities of a failed IDI until final resolution can be accomplished.

The "Recordkeeping for Timely Deposit Insurance Determination" rule (12 C.F.R. part 370 of the FDIC's Rules and Regulations) requires each IDI with two million or more deposit accounts to configure its IT system to calculate the insured and uninsured amount in each deposit account. This requirement will assist in the potential resolution of a large institution and ensure the timely payment of insured funds to depositors should that become necessary.

Any assets not purchased by an assuming institution at the time of resolution are retained in the receivership. Various strategies are then used to sell the assets as quickly and efficiently as possible consistent with statutory considerations applicable to the disposition of assets. The FDIC is statutorily required to conduct operations in a manner which: (1) maximizes the return from the sale; (2) minimizes the losses realized; (3) ensures adequate competition and fair and consistent treatment of offerors; (4) prohibits discrimination of the treatment of offerors; and (5) maximizes the preservation of the availability and affordability of residential real property for low-and moderate- income individuals<sup>9</sup>.

Additionally, FDIC staff identifies and investigates claims against directors, officers, and other professionals, and pursues those claims on behalf of the receivership, when the claims are both meritorious and expected to be cost effective. Potential income tax refunds can be another significant asset of the receivership, and staff focuses on maximizing refunds and expediting recovery of tax refunds from taxing authorities. The FDIC also notifies likely claimants of the failed institution and provides them with instructions for filing a timely claim in order to ensure that legitimate claims against the receivership are satisfied fairly. Valid claims are paid under the priorities set by law.<sup>10</sup> The FDIC terminates the failed bank receivership after the disposition of all assets, and the payment of proven claims against the receivership.

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<sup>9</sup> 12 U.S.C. 1821(d)(13)(E).

<sup>10</sup> Depositor preference, 12 U.S.C 1821 (d)(11)(A).

The following table depicts the strategic goal, strategic objectives, and annual performance goals for the Receivership Management Program.

Strategic Goal	Strategic Objectives	Annual Performance Goals
Resolutions are orderly and receiverships are managed effectively.	The FDIC manages receiverships to maximize net return and terminates them in an orderly and timely manner.	Value, manage, and market assets of failed IDIs and their subsidiaries in a timely manner to maximize the net return. (5.1-1)
		Manage the receivership estate and its subsidiaries toward an orderly termination. (5.1-2)
	The FDIC investigates potential recoveries, including claims against professionals, and pursues them if deemed to be meritorious and expected to be cost-effective.	Conduct investigations into all potential professional liability claim areas for all failed IDIs and decide as promptly as possible to close or pursue each claim, considering the size and complexity of the institution. (5.2-1)

## STRATEGIC GOAL 5:

*Resolutions are orderly and receiverships are managed effectively.*

### STRATEGIC OBJECTIVE 5.1

The FDIC manages receiverships to maximize net return and terminates them in an orderly and timely manner.

#### Annual Performance Goal 5.1-1

Value, manage, and market assets of failed IDIs and their subsidiaries in a timely manner to maximize the net return.

#### Indicator and Target

1. Percentage of the assets marketed for each failed IDI
  - Market at least 90 percent of the book value of the institution's marketable assets within 90 days of the failure date for cash sales, 120 days of the date for pools of similar assets of appropriate size to bring to market for joint venture, or 180 days for assets identified for securitization.

#### Means and Strategies

*Operational Processes (initiatives and strategies):* After the resolution of a failed IDI, the FDIC collects and manages any remaining assets in a cost-effective manner to maximize recoveries and preserve value until the assets can be marketed. The FDIC typically transfers remaining assets to contracted servicers who manage such assets until those assets are marketed and sold. The FDIC uses the Standard Asset Valuation Estimation (SAVE) methodology, third-party tools, valuation contractors, and financial advisors to value most of the assets of a failed IDI and to inform the marketing and disposition plan. The failed IDI's assets are grouped into pools, and potential asset purchasers are given the opportunity to view sales information before submitting bids online.

Generally, by quickly returning the assets of a failed IDI to the private sector, the FDIC maximizes net recoveries and minimizes disruption to the local community. Most of any remaining assets are marketed within 120 days after an IDI fails.

The SAVE methodology uses standard assumptions and market information to ensure consistency in the valuation of assets. The FDIC also uses third-party tools that are widely accepted by the financial sector to develop asset valuations. The process, methodology, and assumptions used to value assets are continually reviewed and, when necessary, updated. The FDIC regularly updates and refines its marketing strategies to market assets as quickly and efficiently as possible.

*Human Resources (staffing and training):* For 2023, the FDIC has 355 permanent authorized positions to carry out its resolutions and receivership management functions. If resolution activities increase, the FDIC may add non-permanent staff and contractor resources to help with the additional workload. Contractors are used, as necessary, to manage and sell the assets of failed IDIs. The FDIC has comprehensive policies, procedures, and internal controls that cover every phase of the contracting process.

Consistent with the requirements of the Dodd-Frank Act, the FDIC will continue to identify and address barriers to the participation of underrepresented groups, including minority- and women-owned businesses, law firms, and investors in FDIC contracting and asset purchase opportunities.

*Information Technology:* The FDIC uses technology extensively to make its asset management/servicing, sales strategies, and other business processes more efficient and to keep pace with changing market and emerging business practices.

### **Verification and Validation**

Progress in meeting this annual performance goal is tracked through established management reporting processes.

## 2022 Performance Results

For 2022, the performance target for this annual performance goal did not apply because there were no IDI failures during the year. This annual performance goal and its associated performance indicator are unchanged for 2023.

### Annual Performance Goal 5.1-2

Manage the receivership estate and its subsidiaries toward an orderly termination.

#### Indicator and Target

1. Timely termination of new receiverships
  - Terminate at least 75 percent of receiverships that were at least two years old and were not subject to unresolved loss-share, structured transaction, environmental, legal, or tax impediments at the start of the year.

#### Means and Strategies

*Operational Processes (initiatives and strategies):* The oversight and prompt termination of a receivership preserves value for uninsured depositors and other receivership claimants by reducing overhead and other holding costs. Each receivership is monitored on an ongoing basis by staff and a receivership oversight committee. The committee meets monthly to review and evaluate the progress that has been made in removing the impediments preventing receivership terminations.

To be eligible for termination, a receivership must be free of all impediments. These impediments may include contractual liabilities, offensive or defensive litigation, potential representation and warranty asset sale claims, open employee benefit plans, open subsidiary corporations where articles of dissolution have not been approved, and known or potential environmental contamination liabilities.

Once the FDIC has disposed of all of the assets of the receivership, resolved all liabilities, and verified that no material financial or legal risks remain, a final distribution is made to the creditors and the receivership is terminated. During 2022, no new receiverships were added to the FDIC's inventory of receiverships and 59 were terminated, leaving 132 active receiverships at year-end.



*Human Resources (staffing and training):* Current and projected workloads are continually assessed to ensure that adequate staff and contractor resources (if needed) are available to fulfill the FDIC's receivership management responsibilities.

*Information Technology:* The Receivership Oversight Management System (ROMS) tracks FDIC receiverships throughout the termination process and is used to identify impediments to termination, track resolution, and initiate the termination process.

### **Verification and Validation**

The process of terminating a receivership is tracked in FDIC systems, and monthly termination reports are reviewed for accuracy. System users validate data and any discrepancies are reconciled. Results are reported through established management reporting processes.

### **2022 Performance Results**

The FDIC successfully met the performance target for this annual performance goal in 2022. This annual performance goal and its performance indicator are unchanged, but the associated performance target has been modified for 2023 to more properly recognize all terminations, instead of a small subset.

## STRATEGIC OBJECTIVE 5.2

The FDIC investigates potential recoveries, including claims against professionals, and pursues them if deemed to be meritorious and expected to be cost-effective.

### Annual Performance Goal 5.2-1

Conduct investigations into all potential professional liability claim areas for all failed IDIs and decide as promptly as possible to close or pursue each claim, considering the size and complexity of the institution.

#### Indicator and Target

1. Percentage of investigated claim areas for which a decision has been made to close or pursue the claim
  - For 80 percent of all claim areas, make a decision to close or pursue professional liability claims within 18 months of the failure of an IDI.

#### Means and Strategies

*Operational Processes (initiatives and strategies):* The FDIC investigates potential claims against professionals (e.g., directors, officers, attorneys, and others) whose actions may have contributed to losses at a failed IDI and assesses the viability of recovery sources including liability and fidelity insurance policies. Once the investigation is complete, the FDIC determines whether it has viable, cost-effective claims and whether it should pursue them. To comply with statute of limitations requirements, most professional liability investigations generally must be completed and viable claims filed within three years for tort claims and six years for contract claims following an IDI's failure.

*Human Resources (staffing and training):* Workload requirements are regularly reassessed to ensure that staffing is sufficient to fulfill these responsibilities. The FDIC uses contractor resources (including outside legal counsel) and hires nonpermanent staff, as needed.

*Information Technology:* The FDIC Divisional Oversight of Liability Litigation and Restitution System (DOLLARS) is used to obtain the status and monitor the pursuit of professional liability claims. The system provides the means to track IDI failure dates, potential statute of limitation expiration dates, and other pertinent information.

### **Verification and Validation**

Periodic data reviews are conducted to ensure that the information in DOLLARS is current and accurate. Progress in meeting this goal is reported through established management reporting processes.

### **2022 Performance Results**

For 2022, the performance target for this annual performance goal did not apply because there were no receiverships subject to this goal. This annual performance goal and its associated performance indicator and target are unchanged for 2023.

## EFFECTIVE MANAGEMENT OF STRATEGIC RESOURCES

### Introduction

The FDIC recognizes that it must effectively manage many critical strategic resources to successfully carry out the annual performance goals outlined in this plan. These resources must be aligned and deployed to the areas where they are most needed. An overview of planned 2023 initiatives to enhance the FDIC's management of its key strategic resources is provided below.

### Financial Resources Management

The FDIC does not use taxpayer funds. Its operational expenses are predominantly paid from the DIF, which is funded from assessments paid by insured financial institutions. The FDIC takes very seriously its fiduciary responsibilities to use these funds efficiently and cost-effectively to meet its mission responsibilities. To that end, the FDIC engages annually in a rigorous planning and budget formulation process to ensure that budgeted resources are properly aligned with workload projections and designated corporate priorities (see Appendix A).

The 2023 FDIC Operating Budget is 6.5 percent higher than the 2022 FDIC Operating Budget. The increase is primarily attributable to the terms of the new compensation agreement with the FDIC's employee union and an increase in the number of authorized positions. The new compensation agreement will help maintain salary and benefits for FDIC employees that are comparable to those of other federal bank regulatory agencies, consistent with the FIRREA Act. The budget authorized 220 new positions primarily to carry out the FDIC's bank supervision and other core mission responsibilities. The 2023 budget also includes funding for IT investments to meet the operational and information security needs of the FDIC. More information on the 2023 FDIC Operating Budget is presented in Appendix B.

## Human Capital Management

The FDIC's most important resource is the "intellectual capital" that its employees contribute to achieving its mission. For that reason, the FDIC strives to be regarded as a preeminent employer among federal agencies in order to attract, develop, and retain a highly skilled, diverse, and results-oriented workforce. Approximately 40 percent of the FDIC's current permanent workforce is projected to retire over the next 10 years. This dynamic will enable the FDIC to reshape its permanent workforce to continue to provide effective regulatory oversight and meet the emerging challenges of an increasingly complex U.S. financial system.

### Strategic Workforce Planning and Readiness

Like many federal agencies, the FDIC faces potential succession management challenges as many of its long-term, experienced employees consider retirement. The FDIC's approach to workforce planning emphasizes the need for succession management to reduce the risk of vacancies in key positions and ensure the agency has a strong talent pipeline. The FDIC faces a large volume of retirements over the next five to 10 years. At the same time, rapid and significant change within the banking industry impacts the knowledge and skills needed for the FDIC's future workforce.

In 2022, the FDIC formally established a Human Capital Strategic Planning and Analysis unit within the Division of Administration to design an agency-wide approach to address talent pipeline challenges. The FDIC defined its leadership competencies, which will form the foundation for development of leadership role profiles that will occur in 2023. Another component of strategically addressing succession and workforce planning is using data to inform understanding of employee aspirations, perceptions of leadership roles, current skill levels, workforce attrition/retention, and movement within the organization. In 2022, the FDIC conducted an agency-wide Career Aspirations Survey that illuminated employee perceptions about and desire to move into leadership roles. This information, along with enhanced retention data, will be used to consult with Divisions/Offices on projects needed to understand the pipeline and address workforce challenges.

In 2023, the FDIC will continue to pursue several ongoing initiatives to develop its future permanent workforce while effectively addressing its shorter-term staffing needs, including identifying future workforce and leadership requirements, assessing current workforce capabilities, supporting employees who aspire to leadership and management roles, and developing and sourcing the talent to meet emerging workforce needs. The FDIC will also continue to enhance the availability of data and analyses to ensure that the FDIC remains focused and effective in managing and retaining talent.

A key component of the FDIC's long-term workforce development strategy continues to be recruitment and retention of examiners. During the pandemic, attrition rates increased for pre-commissioned examiner trainees, creating an imbalance between commissioned and pre-commissioned staff. In 2023, the FDIC will continue to explore options for addressing this imbalance, including a return to in-person classroom training. The FDIC also returned to in-person recruiting and created a task force to modernize and improve recruitment for entry-level examiner hiring.

### **Diversity, Equity, Inclusion, and Accessibility**

The FDIC continues to demonstrate its commitment to fostering diversity, equity, inclusion, and accessibility (DEIA), both within the agency and across the financial services industry, by implementing initiatives as described in the *2021-2023 Diversity, Equity, and Inclusion Strategic Plan (DEI Strategic Plan)*. The *DEI Strategic Plan* establishes the FDIC's comprehensive strategic approach to delivering tangible and measurable outcomes for initiatives to further DEIA and financial inclusion.

Key DEIA successes in 2022 included:

- Implementing DEIA operational plans for all divisions and offices, consistent with corporate goals and featuring strategies tailored to their individual needs and circumstances;
- Establishing an executive-level task force to address challenges to Hispanic recruitment and retention and support strategic efforts to reach all available talent in the labor market;
- Launching the second cycle of the agency's program to provide support and resources geared to first-generation professionals in the workplace;

- Expanding recruiting efforts at minority-serving institutions and Historically Black Colleges and Universities;
- Launching the second cycle of two leadership and career development programs to develop a diverse group of participants to serve as the next generation of FDIC leaders;
- Developing empathy training to provide employees with strategies and tools to build trust and improve relationships to help achieve the FDIC's mission;
- Expanding outreach to bank and professional trade organizations to further financial institution diversity;
- Providing technical assistance to minority- and women-owned businesses interested in doing business with the FDIC; and
- Strengthening programs, policies, and procedures to align with the *DEI Strategic Plan*.

In 2023, the FDIC will further strengthen DEIA by continuing to implement its current *DEI Strategic Plan*, beginning development of a new DEIA strategic plan, developing a strategy to strengthen Hispanic recruitment and retention, and promoting financial institution diversity.

### **Employee Engagement**

Over the past several years, the FDIC has participated in annual employee surveys conducted by the U.S. Office of Personnel Management. These surveys identified major areas of strength, as well as opportunities for improvement in employee satisfaction and engagement, within the FDIC workforce.

Survey results have consistently demonstrated that FDIC employees have an excellent understanding of the FDIC's mission and strategic direction and know how their work fits into the organization's goals and priorities. They believe their work is important, and gain a sense of personal accomplishment from it. Employees also have a high degree of confidence in their ability to meet the needs of their customers, contribute positively to the agency's performance, produce high quality work, and adapt to changing priorities.

In 2022, the FDIC re-established the Workplace Excellence (WE) Program and Labor Management Forum (LMF). The WE program is comprised of individual Division/Office WE Councils focused on maintaining, enhancing, and institutionalizing positive workplace and cultural change. The LMF is a mechanism to provide the National Treasury Employees Union (NTEU) with pre-decisional input on workplace matters to the fullest extent practicable, without regard to whether those matters are negotiable subjects of bargaining. The LMF is a collaborative, solution-oriented body that includes FDIC senior leadership and NTEU chapter presidents.

FDIC employees also have opportunities to shape organizational culture and work processes, and enhance communications and morale, by serving as members of the Chairman's Diversity Advisory Councils and Employee Resource Groups, and participating in team discussions, listening sessions, and daily employee-supervisor interactions. The FDIC will continue to look for creative ways to increase employee engagement in 2023, including by establishing a Workplace Excellence Leadership Committee as a forum for the exchange of information on ideas, projects, and best practices from the Division/Office WE Councils.

### **Employee Learning and Development**

The FDIC provides employees with skills-based training and leadership development opportunities to help achieve its mission. It has made significant progress in recent years in modernizing learning and development, including expanding virtual and online offerings, integrating modern learning technology, and modernizing the Training Center. The goal is to prepare both current and new employees for the challenges ahead by using a blend of delivery modes to provide training when and where it is needed. In 2023, the FDIC will focus on developing and delivering effective learning solutions; providing measurable improvement in knowledge, skills and abilities; and providing an excellent learner experience. The FDIC will continue to use learning programs as opportunities to strengthen its organizational culture, build key competencies, and reinforce corporate values.

The FDIC provides its workforce with the technical knowledge and skills necessary to examine and supervise financial institutions and manage receiverships. In 2023, the FDIC will continue to implement changes to the examiner training curricula to reflect recent regulatory changes, and will expand the use of distance-learning methods to provide field staff with easier access to training resources.



In addition, [in the final phase of the Just-in-Time Training Initiative, the remaining examiner](#) courses will be revised to better align with OJT components of examiner development so that new examiners are more prepared for the exam tasks they will be assigned. The FDIC will also continue to provide training to resolution specialists on the multi-tiered structures of deposit accounts, complex IT systems, and complicated financial statements they will most likely encounter during the resolution and receivership of large banks and conduct readiness activities that will prepare new specialists for future bank closing activities.

In addition to technical training, the FDIC is focused on developing employees as leaders at all levels of the organization. The FDIC has a comprehensive leadership development curriculum that consists of core courses, electives, and enrichment activities. The FDIC also provides consultative services to managers and delivers customized training for newly constituted teams.

FDIC employees and leaders have a long tradition of responding effectively in times of crisis, while continuing to execute day-to-day mission requirements. Through further development of its human capital strategies, the FDIC will work to ensure that the future FDIC workforce is as prepared, capable, and dedicated as the one it has today.

### **Emergency Preparedness and Readiness**

Robust crisis readiness and response activities are fundamental to the resilience of the FDIC's mission, vision, and values. The FDIC's crisis readiness and response program works collaboratively across the organization to develop crisis readiness plans, support exercise program initiatives, develop training curricula, and ensure continuous readiness improvement in order to ensure the FDIC's ability to respond quickly and effectively to risks faced by IDIs, financial institutions, and the financial system as a whole. It also seeks to prepare the FDIC to respond to other crises and incidents (e.g., natural disasters, major cyberattacks, or other major security threats) that could impact FDIC operations and threaten the safety and security of its workforce, facilities, or systems.

In 2022, the FDIC built upon its foundational work in 2021 by developing several agency-level crisis response plans, including a Debt Ceiling Default Plan, Emerging Infectious Disease Plan, Natural Disaster Response Plan, and an Emergency Communications Directive and Program Plan. These plans will help ensure the Corporation is prepared to respond to crises using a coordinated and consistent approach. Additionally, the FDIC also conducted a readiness assessment and workshop series to ensure that the Division of Administration (DOA) is best positioned to support business line divisions and the FDIC as a whole, with surge staffing requests during a crisis. In 2023, the FDIC will continue to promote preparedness throughout the agency through planning, training, exercises, and continual evaluation. This includes continuing to plan for various contingencies, developing a formal Test, Training, and Exercise Program; integrating enhancements into our Emergency Notification System; and working to ensure the agency is as prepared as possible for future financial crises.

Notably, the recent failures of large regional banks with a heavy reliance on uninsured deposits have brought increased attention to the FDIC's preparedness efforts. In that regard, divisions and offices will be working together to perform after action analyses to build upon existing preparedness efforts with an emphasis on speed and effectiveness of responding to large and concurrent bank failures.

## Management of Information Technology Resources

The FDIC relies on modern and secure IT to achieve its mission. Technology trends like artificial intelligence (AI) and Zero Trust Architecture (ZTA) have significant potential to transform how the FDIC conducts its core business with greater efficiency while strengthening its cybersecurity and privacy posture.

The FDIC is committed to providing a robust, resilient, and secure IT environment that supports emerging business needs, promotes efficient operations, and improves the effectiveness of FDIC engagement with regulated institutions and the public. To effectively manage its IT resources, the FDIC will evaluate market innovations that can help modernize its portfolio of legacy IT systems, strengthen the IT infrastructure that serves its workforce and mission constituents, and implement new core business capabilities.

## IT Modernization Plan and Roadmap

The FDIC's current IT environment is heavily dependent on outdated legacy applications and platforms that run in an on-site data center. In 2019, the FDIC adopted a multi-year *IT Modernization Plan and Roadmap* that will guide its technology activities and spending priorities for the next several years. In 2022, the FDIC continued implementing initiatives critical to the IT Modernization Plan. The Quantum Leap Program has established the foundation for a cloud-based IT-infrastructure and the phase-out of the primary and backup data centers. In 2023, these efforts will continue with the build-out of the cloud infrastructure, the migration of mission-critical applications to the new cloud environment, and the establishment of a data management and analytics environment. The FDIC will also continue efforts to modernize its legacy applications.

As legacy applications are modernized, FDIC staff will focus on streamlining and reengineering the underlying business processes to take advantage of new automated capabilities and increase efficiency and effectiveness. One of the key goals of the plan is to establish an IT environment where staff can perform work unencumbered by limitations related to technology, geography, or manual processes. New technology will also be implemented to improve the FDIC's cybersecurity posture to address emerging threats and regulatory needs, and controls will be strengthened in the areas of IT governance, contract oversight management, and financial management.

In 2023, the FDIC will continue to carry out the FDIC's multiyear IT modernization plan to update the FDIC's information technology infrastructure and replace outdated legacy application systems with the continued focus on key initiatives to drive the Corporation's goal of providing a robust, resilient, and secure IT infrastructure that promotes efficient operations and improves the effectiveness of FDIC engagement with regulated institutions.

## Information Security and Privacy

Cybersecurity risk management will remain a priority as cybersecurity threats proliferate and vulnerabilities are discovered and mitigated in systems, software, services, and the supply chain.

The FDIC continues to build upon the principles set forth in its *IT Strategic Plan* to mature cybersecurity and privacy capabilities and ensure the continued confidentiality, availability, and integrity of FDIC data and information systems. In 2023, the FDIC will commence the implementation of its Zero Trust strategy and roadmap; and operationalize the new incident management solution that will help automate the management and response to cyber incidents.

In addition, privacy risk management will continue to ensure that privacy is sustained and reinforced as the financial industry and government practices advance. Privacy considerations are built into FDIC business operations, policies, processes, technologies, and contracts by design to fulfill and anticipate current and future privacy needs.

The agency is active in the leadership of the Federal CIO Council. The FDIC also collaborates with other agencies through the Federal Privacy Council and the Financial Regulator Privacy Community of Practice to promote best practices, and continues to build out continuous privacy risk management and monitoring through the use of Privacy Impact Assessments and compliance with National Institute of Standards and Technology (NIST) guidance.

### **Data Management**

The FDIC has long recognized that data is one of its most important resources, both for internal use and for dissemination to the financial industry and other stakeholders. As part of the *IT Modernization Plan and Roadmap*, the FDIC will strengthen its data governance, while pursuing initiatives to maximize efficient data utilization. The effective management of data across the organization is central to fulfilling the FDIC's supervisory, insurance, and resolution functions. Managing and governing FDIC data as a corporate resource is fundamental to empowering FDIC staff at all levels of the organization to perform analysis, support operations, and conduct research that enables sound, evidence-based decision-making. In 2022, the FDIC began rolling out an enterprise data catalog tool that will provide tracking and discoverability of data across all Families of Data. The FDIC also successfully designed and deployed the FDIC Enterprise Data Lake Capability, which includes advanced analytic and artificial intelligence / machine learning (AI/ML) cloud services required to meet FDIC's current and future business needs. Equally important is the need to protect and secure sensitive data and information from unauthorized access or misuse.

In 2023, the FDIC will ensure responsible stewardship of its data by actively performing data governance as assets are moved to the cloud, and publishing metadata to FDIC staff via the enterprise data catalog. This will ensure effective control and use of data assets while enhancing data literacy efforts across the FDIC. The goals of the data catalog are to provide transparency and visibility of what data exists, and to ensure that data are understood and trusted, while protecting confidential supervisory information. These efforts are part of the agency's overarching enterprise data management strategy.

### **Technology and Innovation**

The FDIC continuously monitors developments in technology to further advance the mission of the FDIC and better understand how it may affect the financial industry. The FDIC continues to test the potential application of new and emerging technologies to enhance FDIC business processes and accomplish the FDIC's core mission responsibilities. It also seeks to engage bankers, financial regulatory agencies, and other outside parties to ensure that the FDIC is abreast of and an active participant in new technological developments.

In 2023, the FDIC will continue to explore the potential application of new and emerging technologies by:

- Exploring the utility and application of artificial intelligence methods to reduce the time required to complete manual work; and
- Developing potential use cases that allow employees to get hands-on experience and learnings with distributed ledger technologies.

### **Enterprise Risk Management and Internal Controls**

As an integral part of its stewardship of the DIF, the FDIC maintains a comprehensive risk management and internal control program designed to identify and mitigate enterprise risks and improve the efficiency, effectiveness, and control of internal operations. Enterprise Risk Management (ERM) is a way to identify, prioritize, and manage risk across the corporation. The FDIC's ERM program aims to address the full spectrum of significant internal and external risks facing the corporation and the combined impact of those risks as an interrelated portfolio.

In 2023, the FDIC will continue to identify and implement risk-mitigation activities to address risks in the FDIC's Corporate Risk Inventory, enhance the ERM program with active collaboration among all FDIC divisions and offices, and perform management-directed or self-initiated program evaluation work. The FDIC will also continue to deliver corporate-wide ERM training and report to the Chairman, Operating Committee, and Audit Committee on a periodic basis.

The FDIC's internal control program includes the plans, methods, policies, and procedures that provide reasonable assurance that management's objectives are achieved, operations are effective and efficient, reporting is reliable for internal and external use, and that the FDIC follows applicable laws and regulations. In 2023, the FDIC will continue to ensure that key financial operations and processes maintain sound internal controls, operations are appropriately managed, and opportunities to improve the control environment are identified and implemented in an efficient and timely manner. The FDIC anticipates focusing on testing and, where appropriate, enhancing controls related to information security management, physical and personnel security, contractor oversight, succession management, supply chain risk management, crisis readiness, systems development efforts, and model risk management.

The FDIC will continue to review samples of transactions and invoices to confirm management attestations regarding financial reporting and internal control procedures. The FDIC will also continue to develop process maps for critical operations and enhance data mining capabilities to monitor exposure to improper payments. All of these efforts help to ensure that internal control environment remains strong throughout the FDIC.

## APPENDICES

**Appendix A: The Planning Process**

**Appendix B: Program Resource Requirements**

**Appendix C: Program Evaluation**

**Appendix D: Interagency Relationships**

**Appendix E: External Factors**

**Appendix F: Organizational Chart**

## APPENDIX A

### The Planning Process

The FDIC has a long-range strategic plan that identifies goals and objectives for its three major programs: insurance, supervision, and receivership management. This *Annual Performance Plan* identifies the goals, indicators, and targets for each strategic objective. In December 2021, the FDIC Board of Directors approved the [2022-2026 FDIC Strategic Plan](#), which reflects the current strategic goals and objectives of the FDIC.

In developing these plans, the FDIC uses an integrated planning process in which senior management provides guidance and direction on FDIC goals and priorities. Plans and budgets are developed to achieve those goals and priorities with input from program personnel. Business requirements, industry information, human capital, technology, and financial data are considered in preparing annual performance plans and budgets. Factors influencing the FDIC's plans include changes in the financial services industry; the findings of program evaluations and other management studies, such as the annual Office of Inspector General's report on the Top Management and Performance Challenges Facing the FDIC; and past performance.

The FDIC communicates its strategic goals and objectives and its annual performance goals, indicators, and targets to employees through its internal website and internal communications, such as videos, newsletters, and staff meetings. Pay and recognition programs are structured to reward employee contributions based on the achievement of the FDIC's annual performance goals.

Throughout the year, FDIC senior management reviews progress reports. The FDIC's *Annual Report to Congress*, which is posted on the FDIC's public website at <https://www.fdic.gov/about/financial-reports/report/index.html>, compares actual results to the performance targets for each annual performance goal. For 2022, the FDIC assessed the reliability of the performance data contained in the *2022 Annual Report*. The FDIC found no material inadequacies, and the data are considered to be complete and reliable.



## APPENDIX B

### Program Resource Requirements

The chart below breaks out the 2023 FDIC Operating Budget by the FDIC's three major program areas: insurance, supervision, and receivership management. It shows the budgetary resources that the FDIC estimates it will spend on these programs during 2023 to pursue the strategic goals and objectives and the annual performance goals in this plan and to carry out other program-related activities. The estimates include each program's share of common support services that are provided on a consolidated basis.

Supervision	\$1,277,052,548
Insurance	\$395,811,609
Receivership Management	\$325,466,514
Corporate Expenses	\$410,747,896
Total	\$2,409,078,567

In addition, the FDIC has a total authorized 2023 staffing level of 6,310 full-time equivalent (FTE) positions (6,155 permanent, 155 non-permanent).

## APPENDIX C

### Program Evaluation

The Office of Risk Management and Internal Controls performs management-directed or self-initiated evaluation work of FDIC programs to ensure that programs are accomplishing intended objectives. Program evaluations are collaborative efforts that may involve management and staff from multiple divisions and offices. Division and office directors use the results of program evaluations to support their annual assertions to the Chairman that operations are efficient and effective, financial data and reporting are reliable, laws and regulations are followed, and internal controls are adequate (i.e., annual assurance statements).

In 2023, the FDIC will continue to identify opportunities to perform program evaluations to mitigate risks to division and office operations and identify opportunities for program improvements.

## APPENDIX D

### Interagency Relationships

The FDIC has productive working relationships with agencies at the federal, state, and international levels. It leverages those relationships to achieve the goals outlined in this plan and to promote stability and public confidence in the nation's financial system. Listed below are examples of the many important relationships the FDIC has built with other agencies and entities, seeking to promote strength, stability, and confidence in the financial services industry.

#### Other Federal Financial Institution Regulatory Agencies

The FDIC works closely with other federal financial institution regulators—principally the FRB and the OCC—to address issues and programs that transcend the jurisdiction of each agency. Regulations are, in many cases, interagency efforts. For example, interagency rules have been developed to address implementation of the Economic Growth, Regulatory Relief, and Consumer Protection Act, Basel III, revisions to risk-based and leverage capital requirements, quantitative liquidity ratios, credit risk retention, appraisals, and Call Reports. In addition, the Comptroller of the Currency is a member of the FDIC Board of Directors, which facilitates cross-cutting policy development and consistent regulatory practices between the FDIC and OCC. The FDIC also works closely with the NCUA, which supervises and insures credit unions.

The FDIC also works closely with the CFPB to address consumer protection issues. Under the Dodd-Frank Act, the CFPB has interpretative authority over an enumerated list of designated consumer financial laws. As a result, the CFPB is responsible for issuing rules and regulations regarding these consumer financial laws. However, the CFPB is required to consult with the FDIC, FRB, and OCC on these matters. Supervisory examination and enforcement jurisdiction for the designated consumer financial laws for insured, state nonmember banks with assets of \$10 billion or less remains with the FDIC.

The FDIC retains examination and enforcement jurisdiction for the non-transferred consumer laws (such as for the CRA, the Fair Housing Act, and the Federal Trade Commission Act) for insured, state nonmember banks with more than \$10 billion in assets. The CFPB Director is also a member of the FDIC Board of Directors, which facilitates cross-cutting policy development and consistent regulatory practices among the FDIC, CFPB, and OCC.

The FDIC, FRB, and OCC also work closely with CSBS, which represents the state regulatory authorities, and individual state regulatory agencies. The FDIC also collaborates with the Federal Housing Finance Agency (FHFA), which is the rule-writer and supervisor for the government-sponsored enterprises and the Federal Home Loan Banks. Finally, the FDIC coordinates with the SEC and CFTC on issues such as CCP resolution planning.

### **Federal Financial Institutions Examination Council (FFIEC)**

The FFIEC is a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of financial institutions. The member agencies of the FFIEC are the FDIC, FRB, OCC, NCUA, and CFPB.

In addition, the Chair of the FFIEC State Liaison Committee serves as a member of the FFIEC (the State Liaison Committee is composed of five representatives of state supervisory agencies). To foster interagency cooperation, the FFIEC has established interagency task forces on consumer compliance, examiner education, information sharing, regulatory reports, surveillance systems, and supervision. The FFIEC has statutory responsibilities to facilitate public access to data that depository institutions must disclose under the Home Mortgage Disclosure Act of 1975 (HMDA) and the aggregation of annual HMDA data for each metropolitan statistical area. It also publishes handbooks, catalogs, and databases that provide uniform guidance and information to promote a consistent examination process among the agencies and make information available to the public.

This includes maintenance of a central data repository for CRA ratings and public evaluations. The FFIEC also provides an online Consumer Help Center that connects consumers with the appropriate federal regulator for a particular financial institution.

### **State Banking Departments**

The FDIC, FRB, and OCC work with the CSBS and with individual state regulatory agencies to make the bank examination process more efficient and uniform. In most states, alternating examination programs reduce the number of examinations that are conducted at insured financial institutions, thereby reducing regulatory burden. Joint examinations of larger financial institutions also optimize the use of state and FDIC resources in the examination of large, complex, and problem state nonmember banks and state-chartered thrift institutions.

### **Advisory Committee of State Regulators (ACSR)**

The Committee provides advice and recommendations to the FDIC on a broad range of policy issues regarding the regulation of state-chartered financial institutions throughout the United States, including its territories. The Committee is a forum for state regulators and the FDIC to discuss a variety of current and emerging issues that have potential implications regarding the regulation and supervision of state-chartered financial institutions.

### **Basel Committee on Banking Supervision (BCBS)**

The FDIC is a member of the BCBS, a forum for international cooperation on matters relating to financial institution supervision, and on numerous subcommittees of the BCBS. The BCBS aims to improve the consistency of capital regulations internationally, ensure that the regulatory capital framework for internationally active institutions is risk-sensitive and includes appropriate constraints on the use of financial leverage, and promote enhanced risk management practices among large, internationally active banking organizations. Other areas of significant focus include liquidity and funds management, market risk exposure, and derivatives activities.

The FDIC and the other federal banking agencies have worked closely with the BCBS to improve the Basel III Capital Accord to strengthen the resiliency of the banking sector and improve liquidity risk management.

### **International Colleges of Regulators**

The FDIC participates in several groups of international regulators to address international consistency in the implementation of over-the-counter (OTC) derivatives reforms. The OTC Derivatives Regulators' Forum is a college of regulators that discuss initiatives on derivative reforms mandated by the G-20 and FSB.

The group is heavily involved in assuring international consistency on the development of trade repositories and CCP clearing. It makes recommendations to standing committees, including the Committee on Payment and Settlement Systems, International Organization of Securities Commissions, BCBS, and FSB, for rulemakings.

The OTC Supervisors' Group is primarily involved in changing the infrastructure of the largest dealer banks. The group is composed of supervisors of the GSIBs. Current efforts are focused on data repositories, dispute resolution, and client clearing. The group obtains commitments from the dealer community to make recommended changes and monitors implementation.

### **Interagency Country Exposure Review Committee (ICERC)**

The ICERC was established by the FDIC, FRB, and OCC to ensure consistent treatment of the transfer risk associated with the exposure of banks to both public- and private- sector entities outside the United States. The ICERC assigns ratings based on its assessment of the degree of transfer risk inherent in U.S. banks' foreign exposure.

**International Association of Deposit Insurers (IADI)**

The FDIC has played a leading role in developing IADI into a global standard setter and the world's premier provider of technical assistance and training for deposit insurance since the association was formed in 2002. IADI contributes to the stability of the global financial system by promoting international cooperation in the field of deposit insurance. Through IADI, the FDIC builds strong bilateral and multilateral relationships with foreign deposit insurers, resolution authorities, and international organizations. The FDIC also provides technical assistance and conducts outreach activities with foreign entities to help develop and maintain sound banking and deposit insurance systems.

**Association of Supervisors of Banks of the Americas (ASBA)**

The FDIC plays a leadership role in ASBA and participates in the organization's activities. ASBA develops, disseminates, and promotes sound bank supervisory practices and resilient financial systems throughout the Americas and the Caribbean in line with international standards. The FDIC supports the organization's mission and activities by contributing to ASBA's research and guidance initiatives, technical training and cooperative endeavors, and leadership building programs.

**Shared National Credit Program**

The FDIC participates with the other federal financial institution regulatory agencies in the Shared National Credit Program, an interagency program that performs a uniform credit review twice annually of financial institution loans that exceed \$100 million and are shared by three or more financial institutions. The results of these reviews are used to identify trends in industry sectors and the credit risk management practices of banks.

The reviews are published in December of each year and include findings from both semiannual reviews to help the industry better understand economic and credit risk management trends.

**Joint Agency Task Force on Discrimination in Lending**

The FDIC participates on the Joint Agency Task Force on Discrimination in Lending with several other federal financial institution regulators (i.e., the FRB, OCC, and NCUA) along with the CFPB, the Department of Housing and Urban Development, the FHFA, the Department of Justice, and the Federal Trade Commission (FTC). The agencies exchange information about fair lending issues, examination and investigation techniques, and interpretations of statutes, regulations, and case precedents.

**European Forum of Deposit Insurers**

The FDIC and the European Forum of Deposit Insurers share similar interests, and the FDIC supports the organization's mission to contribute to the stability of financial systems by promoting European cooperation in the field of deposit insurance. The FDIC openly shares its expertise and experience in deposit insurance and failed bank resolution through discussions and exchanges on issues that are of mutual interest and concern (e.g., cross-border issues, bilateral and multilateral relations, and customer protection).

**Financial and Banking Information Infrastructure Committee (FBIIC)**

The FDIC works with the Department of Homeland Security and the Office of Cyberspace Security through the FBIIC on operational and tactical issues related to critical infrastructure matters and cybersecurity in the financial services industry. The FBIIC was chartered under the President's Working Group on Financial Markets and is charged with improving coordination and communication among financial regulators, promoting public-private partnerships within the financial sector, and enhancing the resiliency of the financial sector overall. Other federal government members of the FBIIC include the CFPB, FHFA, FRB, NCUA, OCC, CFTC, SEC, Department of the Treasury, and the Farm Credit Administration.



**Bank Secrecy Act (BSA), Anti- Money Laundering (AML), Counter-Financing of Terrorism (CFT), and Anti-Fraud Working Groups**

The FDIC participates in several interagency, public-private, and intergovernmental groups, described below, to help combat money laundering, terrorist financing, and fraud.

- The BSA Advisory Group is a public/private partnership of agencies and organizations that meets to discuss strategies and industry efforts to address money laundering, terrorist financing, and other illicit financial activities. Areas of focus include: rulemaking related to the BSA/AML Compliance Program, Customer Identification Program requirements, and suspicious activity reporting requirements; a possible examination pilot program that would consider possible changes to the referenced rules; innovative approaches to suspicious activity and currency transaction filing requirements; vendor-developed technology to help meet BSA compliance requirements, including suspicious activity monitoring; and other emerging risks.
- The FFIEC AML/CFT Subcommittee, in consultation with the Financial Crimes Enforcement Network (FinCEN), coordinates AML/CFT policy matters and training, and works to improve communications among the agencies. The AML/CFT Subcommittee builds on existing activities and works to strengthen the ongoing initiatives of other formal and informal interagency groups that oversee various AML/CFT issues. This working group meets monthly and invites other agencies, such as the SEC, CFTC, Treasury, Internal Revenue Service (IRS), and OFAC, on a quarterly basis to ensure broader coordination of AML/CFT and sanctions efforts.
- The Basel AML/CFT Expert Group is responsible for monitoring AML/CFT issues that have a bearing on banking supervision, coordinating with the FSB, and serving as a forum for AML/CFT experts from banking supervisory agencies.

- The Financial Action Task Force (FATF) is an intergovernmental body that sets standards and promotes effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other related threats to the integrity of the international financial system.
- The Fraud Risk-Management Interagency Working Group is composed of representatives from the federal banking agencies to strengthen relationships and better understand the fraud threat environment to depository institutions. The group also provides a forum for developing consistent interagency programs for combating financial institution fraud.

### **Financial Literacy and Education Commission (FLEC)**

The FDIC is a member of FLEC, which was established by the Fair and Accurate Credit Transactions Act of 2003. The FDIC actively supports FLEC's efforts to improve financial literacy in America by assigning experienced staff to provide leadership and support for FLEC initiatives, including leadership of FLEC workgroups emphasizing integrating financial education into youth programs and those engaged in workforce development initiatives.

### **Financial Education Partnerships**

The FDIC collaborates with other federal, state, and local government agencies to promote financial education and capability initiatives for consumers and small businesses. These include the CFPB, US Small Business Administration (SBA), and other federal and state agencies. The FDIC also promotes initiatives combining youth accounts and financial education through collaboration with local financial institutions, governmental entities, workforce development and education organizations, and other nonprofit organizations.

**Alliance for Economic Inclusion (AEI)**

The FDIC established and leads the AEI, a national initiative to bring unbanked and underbanked populations into the financial mainstream. The AEI is composed of broad-based coalitions of financial institutions, community-based organizations, and other partners in 14 markets across the country. These coalitions work to increase banking services for underserved consumers in low- and moderate-income neighborhoods, minority and immigrant communities, and rural areas. These services include savings accounts, affordable remittance products, targeted financial education programs, small-dollar loan programs, alternative delivery channels, and other asset-building programs.

**U.S. Small Business Administration (SBA) Strategic Alliance Memorandum (SAM)**

The FDIC partners with the SBA to encourage financial institutions to prudently serve entrepreneurs and small business owners. Through a SAM, the FDIC and SBA collaborate by co-sponsoring events and activities to help banks become fully aware of SBA capital access programs and connect banks to opportunities to address small business training, counseling, and financial service needs.

**Financial Stability Board (FSB)**

The FDIC actively participates in the work of the FSB, an international body established by the G-20 leaders in 2009. As a member of the FSB's ReSG and its Cross-Border Crisis Management subgroups (CBCMs) for banks, insurers, and financial market infrastructures, the FDIC has helped develop international standards and guidance on issues relating to the resolution of G-SIFIs. Much of this work has related to the operationalization of the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions and supporting work to monitor standards implementation. The FDIC currently chairs the ReSG and co-chairs the CBCM for financial market infrastructures.

**Federal Trade Commission (FTC), National Association of Insurance Commissioners (NAIC), and the Securities and Exchange Commission (SEC)**

The GLBA, which was enacted in 1999, permits insured financial institutions to expand the products they offer to include insurance and securities. GLBA also includes increased security requirements and disclosures to protect consumer privacy. The FDIC and other FFIEC agencies coordinate with the FTC, SEC, and NAIC to develop industry research and guidelines relating to these products.

GLBA also requires the SEC to consult and coordinate with the appropriate federal banking agencies on certain loan-loss allowance matters involving public bank and thrift holding companies.

The SEC and the agencies have an established consultation process designed to fully comply with this requirement while avoiding unnecessary delays in processing holding company filings with the SEC and providing these institutions access to the securities markets.

In addition, the accounting policy staffs of the FDIC and the other FFIEC agencies and the SEC's Office of the Chief Accountant (OCA) meet quarterly to discuss accounting matters of mutual interest and maintain ongoing communications on accounting issues relevant to financial institutions. Other meetings are held with the OCA, as necessary, either on an individual agency or interagency basis.

**Internal Revenue Service (IRS)**

The FDIC works with high-ranking officials at the IRS primarily to simplify the failed bank receivership federal tax filing process and to ensure efficient audit examinations. Gaining a mutual understanding of each agency's tax compliance procedures has reduced the amount of resources needed to accurately process and file timely receivership federal tax returns. Similarly, establishing joint federal tax audit procedures has increased uniformity and significantly reduced regulatory burden for both agencies.

Ongoing collaboration with the IRS also remediates ad-hoc, unintended tax consequences that arise during a bank failure, such as protecting the depositors' interests in the event of a payout of Individual Retirement Arrangement (IRA) accounts.

### **Financial Stability Oversight Council (FSOC)**

The FDIC works closely with the FSOC and its member agencies, including the FRB, CFTC, FHFA, NCUA, OCC, SEC, Treasury, and CFPB, in carrying out the FSOC's responsibility for identifying risks to the financial stability of the United States, promoting market discipline, and responding to emerging risks to the stability of the U.S. financial system. The FDIC Chairman is one of ten voting members, along with the Secretary of the Treasury, the heads of the other federal financial regulators, and an independent insurance expert.

### **President's Working Group (PWG) on Financial Markets**

The PWG conducts various studies regarding financial markets. The PWG is chaired by the Secretary of the Treasury and its member agencies, including the FRB, SEC, and CFTC. While not a member of the PWG, the FDIC convenes for relevant sessions and may participate as appropriate in preparing analyses relevant to the U.S. financial system.

## APPENDIX E

### External Factors: The Economy and its Impact on the Banking Industry and the FDIC

Economic conditions at the national, regional, and local levels affect banking strategies and the banking industry's overall performance. Business and household activity tends to be cyclical and influences loan growth and credit performance for the banking industry. Business conditions and macroeconomic policies combine to determine the rate of inflation, domestic interest rates, equity market valuations, and the exchange value of the dollar. These, in turn, influence the lending, funding, and off-balance-sheet activities of IDIs.

U.S. economic conditions weakened in 2022, with slower economic growth, higher inflation, and higher interest rates. Consumer spending and business investment also weakened in 2022, with declines in inventories and residential investment. After contracting during the first half of the year, gross domestic product grew in the second half supported by gains in consumer spending, net exports, and government spending. The labor market remained strong in 2022, but the pace of job gains declined over the year and wage gains fell short of inflation. The unemployment rate was near historically low levels and payroll gains were above the pre-pandemic pace. Labor market tightness continued, with job openings near the historic highs. Worker shortages were generally broad-based but were more concentrated in the services sectors such as leisure and hospitality. Inflation increased to a 40-year high in mid-2022, reflecting continued supply chain bottlenecks and shortages and strong consumer demand, but price pressures eased modestly later in the year. Monetary policy tightened during 2022, as the Federal Reserve responded to high inflation and tight labor markets. The Federal Reserve raised rates at seven of its eight policy meetings in 2022, increasing the target rate from 0 to 0.25 percent at the beginning of 2022 to 4.25 to 4.50 percent at the end of the year, and began to reduce its holdings of Treasury securities and agency debt and agency mortgage-backed securities in June. Financial market conditions tightened, with wider credit spreads and higher short-term funding costs.

Several factors weigh on the economic outlook in 2023, including the effects of elevated inflation and interest rates, continued geopolitical uncertainty, and supply constraints in labor and production. In addition, heightened financial market stress and concerns stemming from the risk of breaching the debt limit and spillover effects from distress at certain banks pose downside risks to the economic outlook. The Blue Chip consensus expects a mild recession in 2023. Weaker economic conditions could challenge banking conditions as they could lead to reduced loan demand, potential credit strains, and reduced banking sector profitability.

Despite recent failures and increased uncertainty in the financial markets, banking industry metrics remain generally favorable. The 4,706 FDIC-insured commercial banks and savings institutions that filed financial results in fourth quarter 2022 reported net income for 2022 of \$263.0 billion, down \$16.1 billion (5.8 percent) from the full year 2021, but above average earnings reported prior to the pandemic. The decline in 2022 earnings was primarily attributable to a positive provision expense in 2022 of \$51.6 billion, compared to a negative provision expense of \$31.0 billion in 2021, as banks continued to adjust expectations for potential credit losses. Net interest income increased to \$632.9 billion (up 20 percent) during 2022 due to changes in the composition of the balance sheet to higher-yielding assets and the rising interest rate environment. These factors were the primary contributors to the improvement in the net interest margin as yields on assets rose more than funding costs.

The average return on assets ratio was 1.12 percent for 2022 down 11 basis points from year-end 2021. Net operating revenue was \$923.9 billion, up \$96.0 billion from a year earlier. Noninterest expenses for 2022 were \$27.4 billion (5.4 percent) higher than for 2021. The key driver of the increase in noninterest expense was higher salaries and other noninterest expenses such as advertising and data processing. The ratio of noninterest expenses to average assets (overhead ratio) rose a modest 4 basis points to 2.28 percent.

Asset quality indicators for the banking industry improved during 2022. The total noncurrent loan rate decreased 15 basis points since fourth quarter 2021 to 0.73 percent in fourth quarter 2022. Noncurrent loan balances decreased by \$9.9 billion (10.0 percent) between December 31, 2021 and December 31, 2022. Since December 31, 2021, noncurrent 1-to-4 family residential mortgage loans dropped by \$12.5 billion (27.2 percent).

Net charge-offs of loans and leases totaled \$31.4 billion in 2022, up \$4.1 billion (14.9 percent) from 2021. Net loan charge-offs decreased in several loan portfolios during this time period, led by nonfarm, nonresidential commercial real estate loans, which declined \$538.9 million (58.2 percent).

Assets declined in 2022 despite strong loan growth. As of December 31, 2022, total assets at insured institutions were \$23.6 trillion, \$119.8 billion (0.5 percent) lower than a year earlier. Total loan and lease balances increased by \$979.9 billion (8.7 percent). The growth was led by commercial and industrial loans which increased \$223.3 billion (9.7 percent), followed by a \$220.5 billion (9.8 percent) increase in 1-to-4 residential real estate loans, and a \$188.6 billion (10.0 percent) increase in consumer loans. Banks' investment securities portfolios declined by \$361.9 billion (5.8 percent) from a year ago, driven by unrealized losses on available-for-sale securities that are carried at market value and declines in mortgage-backed securities. Total unrealized losses for both available-for-sale and held-to-maturity securities were \$620.4 billion at December 31, 2022, down \$69.5 billion (10.1 percent) from the peak level reported at September 30, 2022. Insured institutions decreased cash and due from balances by \$981.2 billion (27.6 percent).

Growth in other borrowed funds funded the growth in loans as deposits declined. Deposits in domestic offices decreased by \$464.2 billion (2.6 percent) from fourth quarter 2021 to fourth quarter 2022, driven entirely by a decline in uninsured deposits. Total estimated insured deposits increased by 3.3 percent during the same time period. Other borrowed funds rose \$396.5 billion (41.5 percent) since December 31, 2021. Equity capital declined by \$152.3 billion (6.5 percent) due to \$279.5 billion in unrealized losses on available-for-sale securities.

As of December 31, 2022, 39 insured institutions were on the FDIC's "Problem Bank List," down from 44 institutions at December 31, 2021. Total assets of institutions on the FDIC's Problem Bank List declined during the year, from \$170.2 billion at December 31, 2021 to \$47.5 billion as of December 31, 2022. Problem banks are those institutions with financial, operational, or managerial weaknesses that threaten their viability.



While no banks failed during 2022, three banks failed in early 2023. The DIF balance increased to a record \$128.2 billion at December 31, 2022, up from \$123.1 billion at year-end 2021. The reserve ratio rose one basis point from the prior year-end to 1.27 percent on December 31, 2022. The DIF balance will be impacted by three large regional bank failures in early 2023.

## APPENDIX F

### Organizational Chart

A current listing of the FDIC Board of Directors and Senior Executives can also be found on the FDIC's public website at

<https://www.fdic.gov/about/leadership/index.html>.

